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FINANCIAL TIMES

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NEWS SUMMARY

GENERAL

Kidnap man dead - IRA

The Provisional IRA said they had "executed" RUC Constable William Turbitt, who was kidnapped on Saturday, but gave no information where the body was. Father Hugh Murphy, freed after being seized in retaliation for the policeman's abduction, said he was heartbroken at the news.

Mrs. Margaret Thatcher, who is expected to work at improving relations between the Conservative Party and the Ulster Unionists while in Northern Ireland, was accused by Mr. John Pardon, Liberal economic spokesman, of making "the most despicable visit by a British politician since Chamberlain's last trip to Munich." She visited James Mackie, the Belfast textile employer, one of the first companies put on the Government's blacklist for exceeding pay guidelines. Page 11

£1m gems haul

A six-man gang escaped with an estimated £250,000 worth of cut and uncut diamonds from a jeweller's shop in an arcade beside the Savoy Hotel, London. The raiders, who brandished a sawn-off shot gun and an axe, left trays of made-up jewellery after ransacking the safe.

Belgian pact

Belgium's five-day Government crisis ended when the four parties in the ruling coalition negotiated a compromise on cuts in public spending and moves toward regional autonomy. King Baudouin formally rejected Prime Minister Leo Tindemans' offer to resign. Page 2

Captain's claim

The master of the Amoco Cadiz told an inquiry in London that just before the vessel's steering gear failed he changed course towards the French coast to avoid a collision with another tanker heading towards him. Back Page

Threat to tennis

Wimbledon tennis broadcasting next week may be threatened if Post Office engineers refuse to lay power lines in support of a claim for a five-hour cut in the working week. TV technicians may support the engineers. News Analysis, Page 8

524-day ordeal

An Italian film producer, who was kidnapped in Milan, chained to a bed and kept alive on cold food for 524 days, was freed in Sicily after his family was believed to have paid a £3.3m ransom.

Ali at Kremlin

Soviet President Leonid Brezhnev welcomed Muhammad Ali, the former world heavyweight champion to the Kremlin with a kiss on both cheeks.

Briefly . . .

Hotel dishwasher from Italy was jailed for two years at Knightsbridge Crown Court for slashing a Poussin painting in the National Gallery, causing damage which halved its value.

Princess Caroline of Monaco is to be given two Siberian tiger cubs as a wedding present from a West German circus owner.

Sir Dingle Foot, the civil rights lawyer and former Labour Solicitor-General, has died in Hong Kong. Obituary, Page 11

Earth tremor shook Salónica, Greece. One person died of shock and several were injured.

West German diplomat was wounded by crossfire in an East Berlin gun battle between police and an armed fugitive.

Siamese twin girls, born in Oporto, Portugal, nine days ago and joined at the stomach and thorax, have died.

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISERS	
ATV	114 + 4
UK Land	128 + 8
Jardine Matheson	288 + 4
Jardine Secs.	1411 + 10
Leslie & Godwin	104 + 3
Mathews (B.)	140 + 10
Niffbury	110 + 5
Norwest Holst	63 + 5
Pilkington	533 + 15
Swire Pacific	1481 + 31
Swire Prop.	71 + 5
Wheelock Marden	58 + 8
Highlands	116 + 6
London Sumatra	126 + 12
Saraboro Tea	245 + 20
Noyahora Tea	386 + 8
Anglo-American	270 + 8
Union Corp.	270 + 8

FALLS	
Treasury 151% 1985 £1211 - 1	
ANZ	265 - 10
Anchor Chem.	68 - 4
Barclays Bank	318 - 7
Bovater	108 - 4
Hawker Siddeley	218 - 6
Intercontinental Prop.	32 - 2
Inv. Trust Corp.	265 - 8
Pauls & Whites	116 - 4
Randalls	63 - 4
Attock Oil	60 - 6
Siebens (UK) Devs.	197 - 25
Central Pacific	370 - 25
Northgate Explor.	440 - 15
Osbridge	170 - 6
Sabina	77 - 7
Southern Pacific	193 - 23

Average earnings accelerate as economy expands

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

The rate of increase in average earnings has accelerated in recent months, so the rise in pay during the current round to July may be slightly higher than recent more optimistic Government projections.

The increase is attributed partly to the upturn in the economy. This is suggested by yesterday's figures from the Department of Employment, showing a 3.4 per cent rise in the index of average earnings in April for a cumulative increase of 13.9 per cent seasonally adjusted in the first nine months of the Phase Three pay policy.

This is equivalent to an annual rate of 15.5 per cent and contrasts with recent unofficial though fairly explicit Whitehall hopes that the outcome might be around 14 per cent for the full 12 months.

The result is that real earnings are now rising very sharply after adjusting for the slowdown in price inflation.

There was an unusual unanimity yesterday in both industry and Whitehall that the significance of the figures should not be exaggerated.

Sir John Mathew, director-general of the Confederation of British Industry, said that "too much should not be read into one month's figure, which has been artificially boosted by back payments. It also reflects increased overtime working as the economy picks up."

Nevertheless, pay increases are continuing at too high a level and this reinforces the need for continued moderation if British goods are to be competitive in world markets and if British workers are not to price themselves out of jobs.

Sir John will be part of a Delegation of Confederation leaders seeing Mr. Denis Healey, the Chancellor, later today to discuss future pay policy.

The index may exaggerate the underlying rate of growth of pay because it covers mainly production industries and only part of the service sector.

Productivity agreements and rising overtime associated with the expansion of the economy have mostly affected production rather than service industries.

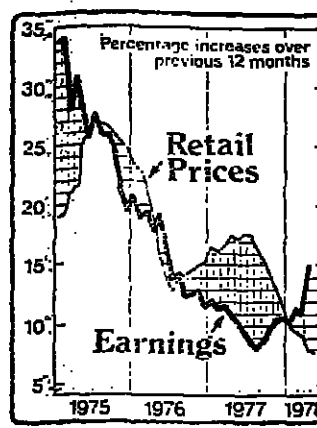
The Department of Employment also publishes a new index covering the whole economy but it has not been going long enough to be seasonally adjusted and so is not a reliable indicator of short-term trends.

However, the underlying rate of increase in this index does appear somewhat slower than for the wider and narrower index.

This index rose by 9.3 per cent in the first nine months of the pay policy and officials are hopeful that the increase over the full year will be no more than their recent projection of 14 per cent.

There is considerable ambiguity here since officials have never made it clear whether the original 10 per cent guideline or their recent 14 per cent projection referred to the new or the old index.

Behind this statistical confusion, the firmest conclusion is that while the basic structure of the formal pay policy is more or less intact, there are clear



Further cut in pay rises rate urged

BY MICHAEL BLANDEN

A FURTHER cut in the rate of wage increases is needed to press home the success achieved in bringing down the rate of inflation, says the Bank of England in the latest issue of its quarterly Bulletin.

For the rest of this year, inflation could be kept at around 8 per cent on a year-to-year comparison.

The rise in prices next year could be well below 8 per cent, but only "if the rise in earnings also were below this 8 per cent figure."

The Bank's assessment implies that wage rises in the next round would therefore have to be kept at around 5 to 6 per cent to hold down inflation.

The Bulletin concentrates on the importance of inflation, echoing points made by Mr.

Think Tank to probe new electronics

BY MAX WILKINSON

THE GOVERNMENT'S Think Tank—the Central Policy Review Staff—is to investigate the ways in which micro-electronics will change industry and society in the 1980s.

The investigation, to be carried out on the Prime Minister's direct orders, follows confirmation from the government that the National Enterprise Board intends to spend £50m to set up a major semi-conductor company in the UK.

The Think Tank's study will run in parallel with that of a working party of the Advisory Council for Applied Research and Development under Sir James Menter.

Sir James's committee is looking at the social and other consequences of new technology. The National Economic Development Office is also carrying out work on the subject.

The Government's sudden interest in micro-electronics stems from the realisation that a very large investment indeed will be necessary if the UK is to catch up with Japan and the U.S. in the production of standard semi-conductors including computer memories and micro-processors.

Partly because of trade union pressure, the Government has also become aware that the new micro-electronics will promote a huge increase in industrial automation, possibly at the expense of jobs.

In the last 15 years the number of inter-connected transistors which can be etched on to the surface of a single chip of silicon has risen to 100,000. A complete computer can now be contained on a chip measuring less than 1/4 inch square, at low cost.

Micro-processors of this sort increasingly will take over many

OPEC experts to study depreciation of dollar

BY RICHARD JOHNS

OIL PRODUCERS ended their conference here today inconclusively by referring the depreciation of the dollar to a "high-level committee of experts" chaired by Sheikh Ali Khalifa Al Sabah, Kuwaiti Minister of Oil.

Saudi Arabia resisted strong pressures from other members of the Organisation of Petroleum Exporting Countries to concede the principle that producers should receive immediate compensation in the second half of 1978 for the dollar's decline by putting up oil prices.

The decision to set up the committee was reached with surprising speed this morning after Sheikh Ahmed Zaki Yamani, Saudi Minister of Oil, had conferred with Crown Prince Fahd, Saudi Arabia's first deputy Prime Minister and chief decision-maker, who arrived yesterday evening on his way to visit West Germany. He is believed to have refused to make any compromise.

Sheikh Yamani said other members had agreed to delay announcing the establishment of the new entity expressed "deep concern" about the fluctuation in international exchange rates.

It is understood that the committee of top economists from member states will meet in London on July 10-12 to start preparing recommendations for submission to the next ordinary conference in Abu Dhabi, scheduled for December 16.

Most members regard some rise in the basic price to be inevitable at that meeting. However, Sheikh Ali Khalifa OPEC President, is empowered to call an extraordinary conference earlier if he believes it necessary.

His committee will be concerned solely with currency fluctuation and does not intend to deal with erosion of producers' purchasing power through industrial inflation.

At the lowest level, the new committee might be seen as a face-saving device for members who were openly committed to obtaining an increase now and a method of buying time for the moderates.

Shipyards link for N. Sea orders

BY RAY DAFTER AND IAN HARGREAVES

BRITISH SHIPYARDS are to work together in constructing North Sea emergency support vessels in order to combat strong competition from the Japanese shipbuilding industry.

By combining their efforts UK yards hope to gain at least five contracts, worth a total of £250m to £300m, over the next few years. The semi-submersible vessels will be used by oil companies for a variety of jobs, including repair and maintenance, diving support operations, fire fighting and the provision of temporary offshore accommodation.

The state-owned British Shipbuilders group put forward its plan for speeding its delivery schedule at a meeting yesterday with Dr. Dickson Mabon, Minister of State for Energy, and senior officials of the Department of Energy's Offshore Supplies Office.

British Shipbuilders plans to share any orders among a number of yards. Each yard would fabricate a part of the vessel which would then be assembled at a central point. It is thought that British Shipbuilders could adopt this centralised marketing and design approach for other major contracts.

One of the first UK vessels which might be built under the new British Shipbuilders system could be an order expected to be announced shortly by British Petroleum.

It is understood that two groups are in the running for the contract: Harland and Wolff in Belfast and British Shipbuilders' Scott Lithgow yard. The latter is successful in the vessel, which will be used in the Forties Field area, would be built by Scott Lithgow in conjunction with the nearby Govan yard.

Shell UK Exploration and Production, as operator for the Shell/Eso partnership, is also seeking a multi-purpose vessel for stand-by work in its Brent Field area.

Dr. Mabon emphasised that offshore opportunities for British shipbuilders also extended to the construction of supply boats, where UK yards have already been successful, and the conversion of semi-submersible drilling rigs to floating production platforms.

MPs to see Healey

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

MR. DENIS HEALEY, the Chancellor of the Exchequer, is likely to face critical questioning on the Government's proposal to increase the employers' National Insurance surcharge when he makes an almost unprecedented appearance this morning before an all-party committee of MPs.

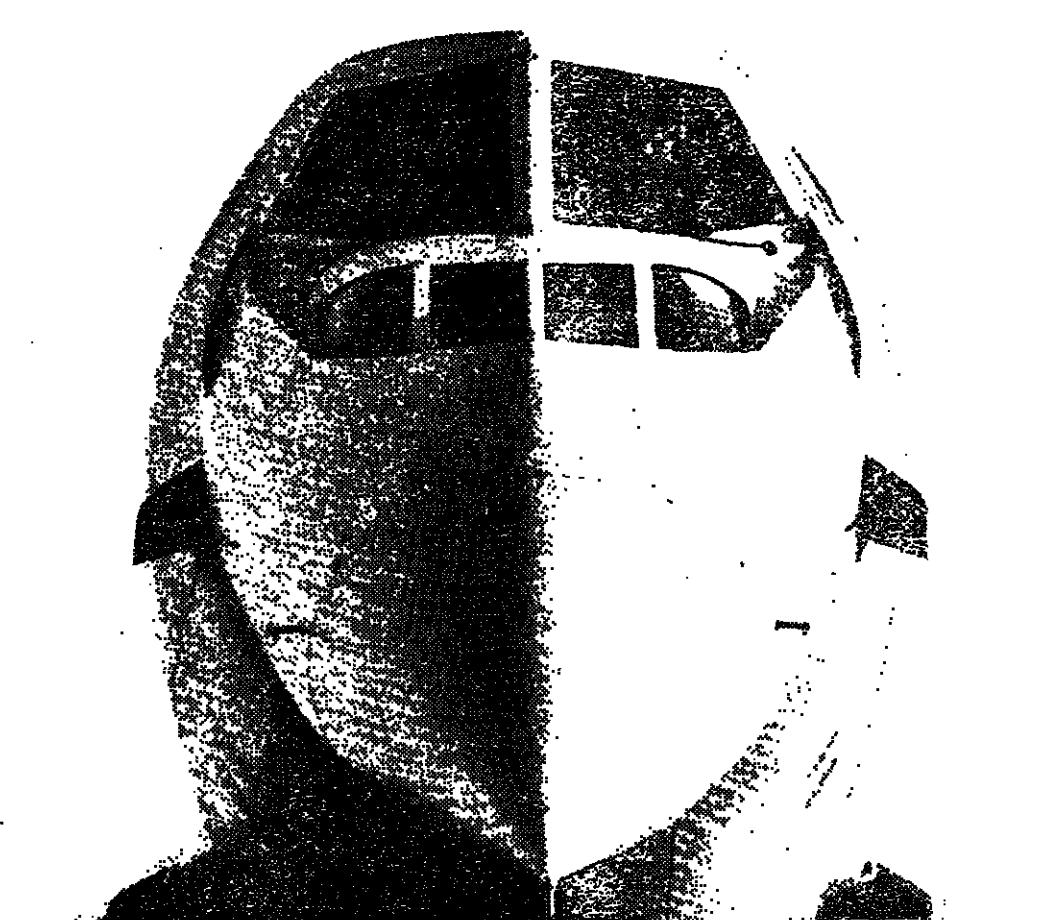
The social services and employment sub-committee of the Commons Expenditure Committee has been undertaking an inquiry into the labour market and unemployment trends.

The sub-committee requested a meeting with Mr. Healey after a session last week attended by senior civil servants where the rise in the National Insurance surcharge was the main topic.

The hearing comes at a particularly sensitive time for the Government in view of the known Liberal desire to reduce the rate in the surcharge from 21 to 11 percentage points.

Although other Cabinet Ministers appear frequently before Commons Select Committees, visits from the Chancellor of the Exchequer are very rare. Mr. Healey's appearance is seen as underlining the Government's determination to maintain the campaign for the National Insurance proposal.

The Chancellor is also likely to be questioned on the unemployment prospects since the figures for mid-June are due to be announced by the Department of Employment at noon today.



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EUROPEAN NEWS

Parties to begin talks on Leone's successor

BY DOMINICK J. COYLE

ROME, June 19. OVER 1,000 deputies, senators and regional government representatives meet in special joint session of the Italian Parliament in 10 days' time to elect a new President of the Republic. Since Sig. Giovanni Leone's dramatic resignation last week the parties have not agreed on a candidate, but the position is expected to clarify soon.

Tomorrow Christian Democrat leaders meet. They will be looking for a candidate who can secure Communist Party backing. This will be followed by a long-arranged meeting of the leaders of the parties supporting Sig. Giulio Andreotti's minority Christian Democrat Government, including Sig. Enrico Berlinguer, the Communist leader, which offers an opportunity for a political deal.

Suspicion over the weekend that a tentative deal had already been done forced Sig. Berlinguer to issue a public denial, but the possibility of an agreement being reached privately before the first Presidential ballot on June 29 should not be ruled out. Without a deal a successful outcome of the first round would be almost impossible, but the inconclusive general election two years ago gave the Communists a virtual veto on the candidate.

Daly's unique Christian Democrat-Communist alliance will be on trial in the Presidential contest. Sig. Andreotti's Gov-proved showing in recent local



Christian Democrat Presidential candidates: Amintore Fanfani (left) and Benigno Zaccagnini.

elections. Craxi's 88 deputies and senators, and his share of the regional representatives, could be decisive in the special parliamentary session. As members of the governing majority, the Socialists could be withdrawn from the alliance, leaving the Andreotti administration a more simple Catholic-Communist coalition than it

is. The Turin court retired to consider its verdict yesterday in the trial of 46 alleged Red Brigades urban guerrillas, which has become one of the toughest tests of Italian justice.

Craxi's position—he wants no private deals, and is arguing for open agreement on a "day" that is, non-Christian Democrat, can-

didate—is supported generally by the other smaller parties, but not by the Neo-Fascists, who already claim to know the final political deal. By their account, the Christian Democrats and Communists will settle on Sig. Benigno Zaccagnini, the reformist Secretary-General of the Christian Democrats. With a man of such impeccable democratic credentials lodged in the Quirinale, they say, the way would be open for the Communists to advance from their present limbo into the Government.

The immediate odds still favour agreement on a Quirinale candidate before the voting starts. And if it is Sig. Amintore Fanfani, the former premier and now the acting president—as some suggest—his job as president on the Senate might go to a Socialist. This would put a Christian Democrat in the Quirinale, let a Socialist lead the Senate, and allow a Communist, Sig. Pietro Ingrao, to preside over the Chamber—a convenient three-way split between the three big parties.

already is. Sig. Craxi is inclined to operate with a growing independence these days, keeping his distance from the Communists in the hope of winning back left-of-centre voters who crossed to the Communists in recent national elections and in 1976.

Craxi's position—he wants no private deals, and is arguing for open agreement on a "day" that is, non-Christian Democrat, can-

Bundesbank warning on dangers of reflation

By Adrian Dicks

BONN, June 19.

A FRESH warning of the limited scope available to the West German Government for fresh stimulatory measures came from the Bundesbank today.

In its monthly report for June, the West German central bank reproaches those abroad who are urging such measures on Bonn with failing to understand "how closely the limits of deficit spending are being pressed."

The Bundesbank's argument is similar to that made by Chancellor Helmut Schmidt in an interview with Business Week, and echoes his concern that any attempt to further increase public borrowing might force interest rates up.

This, in turn, could reverse the outflow of speculative funds from Germany which the present transatlantic interest rate differential has helped bring about, after the foreign exchange market turbulence of the early spring.

This year, predicts the Bundesbank, markets will be asked to fund deficits totalling some DM 60bn, DM 20bn more than in 1977. In consequence of the stimulatory packages enacted last year, however, it also foresees increased demand for credit from the private sector, and in particular from the property and construction industries.

Defending the refusal of the Bonn government of foreign advice to take fresh steps to stimulate demand, The Bundesbank points out that "further public investment programmes would presumably be mainly concerned with additional construction projects."

"Yet the ability of the construction industry to cope with current demand appears to be largely taken up."

The Bundesbank concedes that there has been little difficulty in funding public deficits while interest rates have been low, but points to recent signs of a rise in longer-term rates and warns that this should be borne in mind if any further expansion in the federal deficit is contemplated. The bank attributes the low first quarter increase in gross national product of 1.5 per cent at an annual rate, to had weather and industrial unrest, rather than to factors which would suggest a new stimulus was needed.

OVERSEAS NEWS

INDONESIA'S AGEING REGIME

Struggle for harmony

BY DAVID HOUSEGO, RECENTLY IN JAKARTA

THE DECLINING DAYS of a regime are always the most difficult. After 12 years in power, President Suharto of Indonesia is faced with a country in which discontent is fermenting beneath the surface and over which he no longer has the same easy control.

There is no immediate threat to his regime. But Indonesian leaders, like the heroes of the folk plays of central Java, are expected to express a sense of national harmony that transcends the differences of a country so vast and spread across so many islands. This elusive quality— which the former President, Sukarno, had when his authority was at its height and which President Suharto recaptured by the realism of his economic policies—is now slipping from him.

An equally difficult problem is posed by the uncertainty that comes with the expectation of major political changes. The leaders, both within the army and without, among them President Suharto who led the country to independence after the war—the so-called '45 generation who have been closely involved in running it—are all nearing retiring age.

There is no sign as yet on whom their mantle will fall and no mechanism for making the delicate transition. But as a result of the uncertainty the ratification of President Suharto in March for his third term in office was in some ways a compromise reflecting indecisiveness in choosing a new generation of leaders.

It was this apprehension of the many unknowns in the years ahead that enabled President Suharto to crack down so heavily on the unrest that surged up at the turn of the year, and to do so with the full support of the army. The well-organised student protests drew on a familiar catalogue of grievances from the corruption of the regime to its disregard for the constitution. What was new was the force with which it was personally directed against President Suharto and the wealth amassed by his family. It also found an echo among the army commanders many of whom have children at university whom they expect to run the country one day. A further important novelty was the number of retired senior officers, like General A. H. Nasution, a former Minister of Defence, and General Dharsono, the Secretary General of ASEAN, who came to the fore to support the students' complaints.

The agitation was at the same time taken up by the militant Moslem parties who did surprisingly well in the 1977 general election. They have gained in strength largely because of the complaints of the numerous Moslem trading community that it is the Chinese merchants who have benefited most from the business boom of the past 10 years. As the protests grew in volume in the early months of the year, so the army became increasingly alarmed by the threat to internal security. This gave President Suharto a free hand. It was a mark of the seriousness with which he viewed the situation that he personally directed the subsequent arrests and the closure of papers.

The result, paradoxically, is that he is now as strong as at any time in his career—and certainly stronger than Sukarno who had to play off the army against the political factions. He has the army and the security apparatus fully in his grip and all the levers of Presidential power are at his disposal. The Press is on a "tight rein" and student activity has been brought down. The Moslem parties have been stripped of the key posts they held in the cabinet and in the Assembly. Dissidents like Mr. W. S. Rendra, the playwright, have been removed to jail. Those in the military who are unhappy with the turn of events feel powerless to do anything.

The danger in taking so much power is that the onus is now on President Suharto to produce results. He is doing many of the things for which his critics have pressed. In reshaping his Cabinet he has shown signs of a willingness to delegate more authority. The philosophy behind the new five-year plan, Pelita III, is "equity with growth"—a popular shorthand in Indonesia for saying that the pribumi or indigenous Indonesians can expect the Government to favour them at the expense of the Chinese. The President is making the right promises about more jobs, a shift of emphasis towards the rural areas and small industries, and increased rice output after the shock of the vice-president.

drought in Java last year which left some close to starvation.

The well publicised campaign under Admiral Sudomo, the head of the security force Kopkamtib, to root out corruption also indicates an awareness of how sensitive public opinion is on this issue. The tactic towards the students and the Moslem groups is to try to isolate the "extremist" while re-educating the others through state run youth councils and Moslem organisations to their responsibilities to the nation—an exercise referred to as "regeneration."

A telling pointer to the urgency attached to reconciling differences is the resurrection of the Sukarno myth as a symbol of national unity. After attempting for years virtually to erase his memory, the Government is now having his grave elaborately restored and is considering investing him with the pious title of "The Great Proclamation" for leading the country to independence.

As yet none of this carries much credibility or seems much more than an expedient way of covering up a return to a more repressive regime. Economists in the Government see no prospect in the next two or three critical years of any significant redistribution of wealth or improvement of living standards. The campaign against corruption is hampered by the glaring exception of the President's family and the political difficulty in buttonholing senior officials. "Corruption is like a devil," says General Ali Murtopo, the Minister of Information, who believes that the scale of it has been grossly exaggerated. "Everybody talks about it but nobody can catch it."

The policy towards the students and the Moslem groups reflects the confusion of both wanting to accommodate them in the interests of a national consensus and of feeling it sees a threat. In addition the Government has the problem over the next two years of settling nearly 30,000 alleged Communists interned since 1965 and of holding down a variety of regional groups pressing for autonomy.

The chances are that President Suharto is going to be faced with another bout of unrest in the not too distant future. On how he handles it will depend whether he survives his full five-year term. The army has no wish to see what it sees as its mission to interpret the national consensus damaged by a leader who is popularly regarded as a liability. On the other hand it is at a loss to find a successor. In the wings towards the rural areas and small industries, and increased rice output after the shock of the vice-president.

Holland decides against ordering Nimrods

BY CHARLES BATCHELOR

HOLLAND has dropped the British Nimrod from its short list of possible replacements for its obsolescent fleet of marine reconnaissance Neptunes. The Defence Ministry is continuing studies of the French Breguet Atlantique and the U.S. Orion, with the French aircraft apparently the stronger contender.

British Aerospace's Nimrod was dropped on the grounds of purchase and operating costs, a

Defence Ministry spokesman said. The Nimrods were expected to cost around £1 73m (S\$3m) each compared with £1 40m for the Orion and £1 64m for the Atlantique.

British Aerospace called a Press conference in the Hague last month to deny figures published earlier by the Defence Ministry showing Nimrod would cost £1 85m, but the British aircraft was still more expensive than either of the other two. The Cabinet now expects

to decide finally on the Neptune's successor some time this year though it is unlikely a decision will be taken in the next few weeks as was earlier hoped. According to some

political sources, it was thought wiser to postpone a decision on such a major programme at a time when spending cuts were being considered and following so quickly on the decision to increase defence spending in line with Nato targets. The Defence Ministry is still

weighing the merits of the two remaining aircraft but a large body of Dutch industry which might gain compensation orders is in favour of the Atlantique. The French have asked the Dutch aircraft maker Fokker-VFW to make an offer to deliver 12 F-27 aircraft for use by the French navy as trainers and has also expressed an interest in Fokker's F-28 jet passenger liner. The prospects for these orders are improved if Holland orders the Atlantique.

AMSTERDAM, June 19.

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30,000 Ethiopians poised in Eritrea

By James Buxton

GUERRILLAS fighting for the independence of Eritrea are coming under increasing pressure from the Ethiopian armed forces in probably the fiercest sustained fighting currently raging in Africa. But Ethiopia has yet to launch a concerted offensive to regain control of the province.

An Ethiopian attempt to break out of Asmara, the capital, about a month ago was contained and partially turned back by the forces of the Eritrean Popular Liberation Front, according to their spokesmen. But the guerrillas have been coming under heavy air attacks in some of their strongholds and at one point the other main group, the Eritrean Liberation Front (ELF), said it had had to evacuate the strategic town of Mandefera, though it was re-occupied. The Eritreans have also come under pressure at Barentino in the west, the third remaining Ethiopian stronghold in the main part of Eritrea.

Ethiopia is reported to have four army brigades waiting across the border to the south in Tigre province for a possible offensive in Eritrea. According to the Tigre People's Liberation Front (TPLF), which co-operates with the two main guerrilla groups in Eritrea, there are now 30,000 Ethiopian troops in Tigre, and a new air force base is being built at Mokele. The TPLF says it is harassing the Ethiopian lines of communication.

But there is considerable doubt as to when, and even whether, a large scale Ethiopian offensive will take place. Any assault that begins now will soon be engulfed in the rains which should begin before the end of the month and continue until September.

An Ethiopian offensive against the guerrillas is not likely to be a fast-moving blitzkrieg affair like the campaign in February and March against the Somalis in the Ogaden, whose last push lasted only a few weeks. Eritrea is largely mountainous and the guerrillas are well-dug in, and they are not as the Somali guerrillas were, backed by a regular force which can withdraw.

The Ethiopian army, though its morale was restored by the ultimate success of the Ogaden campaign, is reported to suffer from a shortage of trained and experienced officers at the middle level of command, and its wayward still to be hampered by its big stocks of newly acquired Soviet equipment, after more than two decades of using American equipment.

But the indications are that Cuba, which helped Ethiopia to victory in the Ogaden, is reluctant to become involved in Eritrea. Cuba is well aware that the war in Eritrea would be long and bloody, and has no doubt reflected that the longer it continues the greater public exposure Cuba would get for having switched from assisting the guerrilla groups (as it did for more than a decade) to backing the Addis Ababa regime. There are believed to be Cuban military personnel in Asmara but they are thought to have been in a purely supportive role and there are suggestions that their services might be withdrawn. Cuba has increasingly taken the line that Ethiopia should look for a peaceful settlement in Eritrea, a line which has so far been anathema to Col. Mengistu Haile Mariam, the Ethiopian leader. Recently, Cuba tried to unsuccessfully promote a resumption of the political group in Addis Ababa, partly because it appeared to believe it would take a less independent line than Col. Mengistu, known for having been prepared to consider the secession of Eritrea.

A South Yemen, which was also reportedly involved in the abortive move to undermine Col. Mengistu, is said to have been reluctant to commit its forces against the Eritreans, and Ethiopian envoys who recently visited such left wing Arab countries as Syria, Iraq, Libya and Algeria apparently came back without gaining any support for Ethiopia's view that the Eritreans should be forced to remain inside Ethiopia and accept no more autonomy than Ethiopia is proposing to give other regions of the country. Syria and Iraq, long standing supporters of the Eritreans, made clear they had no intention of changing their position.

The Eritrean issue has become so pressing that it is threatening Soviet relations with Syria and Iraq, as well as with other Arab states, and could lead to a revision of the relatively hard Russian line on Eritrea. The lack of outside support was probably a factor in Col. Mengistu's decision to strike a relatively conciliatory note in a speech in Entebbe last week in which he offered amnesty to guerrillas who gave themselves up. Now he is holding a ten day seminar of ambassadors, ministers and members of the ruling military council or Derg to discuss ways of ending the war. So far, though, Col. Mengistu has not improved on previous offers of autonomy and has not ruled out an offensive.

Dayan says Israel West Bank plan permanent one

BY DAVID LENNON

TEL AVIV, June 19

ISRAEL'S OFFER of limited self rule for the Palestinians of the West Bank and the Gaza Strip as a temporary arrangement but is the solution for the Arabs and Jews living together, Mr. Moshe Dayan, the Foreign Minister, said today in explanation of the hard-line Cabinet decision yesterday on the future of the occupied territories.

He dashed American hopes that the autonomy plan was only an interim arrangement by stressing that even after five years of self rule, Israel would not be prepared to take any decisions about the sovereignty or permanent status of the West Bank and Gaza.

All that Israel would be prepared to decide five years after implementing self rule would be the nature of the relations between Israel, the Palestinians living under occupation and Jordan.

"I hope that the autonomy, as it will be liked by the people, and the question of sovereignty will not be brought up," Mr. Dayan told a Press conference in Jerusalem today.

"If they so desire, then they will bring it up. But we want to have our attitudes on the autonomy that the autonomy is not transitional, but that this is the solution for the Arabs and Jews living together on the West Bank and in the Gaza Strip," the Foreign Minister said.

However, yesterday's Cabinet decision was rejected by West Bank notables and newspapers today. The East Jerusalem Press described it as "word play". Mr. Bassam Shaka, the mayor of



MR. EZER WEIZMAN

No intention of resigning

Nablus, said that it will not bring peace any closer.

The Mayor of Tulkarem, Mr. Hani Hanoun, said that it ignores the Palestinians living outside the occupied territories. The Israeli decision shows that it wants to hold on to the land and to settle vast numbers of Jews there, he said.

Mr. Dayan met this morning with the American Ambassador, Mr. Samuel Lewis, to explain the Cabinet decision. After the hour-long meeting the Ambassador said that today he understood better the phrases used by the Cabinet. He would not comment on whether or not the decision would help to revive the stalled Middle East peace negotiations.

Mr. Dayan was due to deliver an official Government statement to the Knesset this afternoon. The Knesset is expected to approve the Cabinet decision after a stormy debate.

Defence Minister, who voted against the Cabinet decision, was expected to absent himself from the debate.

Mr. Weizman has denied that he intends to resign from the Government because of his disagreement with the Cabinet policy. His aides have let it be known that from now on the Minister who won such popularity with Egypt's President Sadat will concentrate on military affairs, and will refrain from participation in the diplomatic negotiations.

Mr. Weizman is reported as having told his Cabinet colleagues after yesterday's vote that he will need a larger budget for the Defence Ministry as a result of the Government decision.

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Brunei talks open in London

TALKS OPENED at the Foreign Office yesterday with the Sultan of Brunei on the British Government's decision to wind up its responsibilities for the defence and foreign affairs of the wealthy oil state, writes David Housego.

The measure is opposed by the Sultan who is anxious to retain the battalion of Gurkhas under British officers which he sees as an important safeguard against instability.

The Sultan, together with his father Sir Omar Ali Saifuddin, who is also the most influential politician in the state, arrived in London yesterday.

Britain hopes that the talks will make substantial progress towards granting Brunei full independence. This is a goal strongly supported by Brunei's neighbours, Malaysia and Indonesia.

Mr. Dayan, who is to reassure the Sultan that they will not allow their country to be used as a base for guerrilla operations against his country.

Malaysia bans all rallies

MALAYSIA yesterday banned all political rallies as part of a security clampdown in the run-up to a July 8 general election.

Mr. Datuk Hussein Onn, the Prime Minister, said in a statement the ban was needed as the outlawed Communist Party of Malaysia had been disrupting public order on its 30th anniversary tomorrow.

The guerrillas launched a bloody guerrilla campaign in 1948 which lasted 12 years. More than 100,000 British and Malaysian troops fought against them.

Arab banks meeting

THE first ever meeting of the central bank governors of all Arab states started yesterday, indicating the continued interest of the Arabs to form their capital markets into a more or less unified system.

The three-day meeting here will discuss recommendations prepared by a committee of Arab central bank officials.

Foremost among these are the establishment of a union of Arab stock exchanges, liberalisation of controls on capital movements among Arab states, the establishment of more joint-venture Arab banks, the identification of investment opportunities throughout the Arab region, and strengthening the capabilities of Arab companies and financial institutions that carry out feasibility studies.

Sri Lanka visit

CUBA's credentials as a non-aligned nation and its moral right to take over as conference chairmen next year from Sri Lanka will figure prominently in Chinese Vice-Premier Peng Piao's talks with President Junius Jayawardena according to diplomatic sources here, Mervyn De Silva writes from Colombo.

Vice-Premier Peng Piao arrives here from Islamabad for a five-day visit on Wednesday.

Moscow warning

The Soviet Union yesterday issued a fresh warning to Japan about signing a friendship treaty with the company which is reported, according to Reuters in Moscow, to be a statement addressed to the Japanese Government. Moscow said it would have to make "serious reservations" in its policy towards Tokyo if the concluded treaty contained provisions directed against this country.

Egypt denounced

EGYPTIAN Ambassador and former Armed Forces Chief General Abdel Salam Farouk yesterday denounced President Anwar Sadat's government in Egypt as a dictatorship, Reuters reports from Lisbon.

In a statement addressed to the Portuguese, said President Sadat was driving all his political opponents to prison and his autocratic regime was hiding serious restrictions on the democratic institutions.

Iran's oil exports rise

Iran's exports of crude oil and oil products rose by about 19 per cent in the last Iranian month to 1.5 million barrels a day, the National Iranian Oil Corporation (NIOC) said exports during the month averaged 5.3m barrels a day, against 4.6m barrels in the previous month.

Abu Dhabi oil rig

Hitachi Shipbuilding and Engineering has won a \$15m contract to build three oil drilling rigs for Abu Dhabi's national drilling company for delivery by April, 1980. Reuters reports from Tokyo.

BY DAVID LASCELLES IN NEW YORK

to keep company liquidity at a set level.

One Ohio bank has even linked up with a Wall Street securities firm to create a system where a customer can set consumer credit against the securities that are held for him.

Banks in the U.S. are gradually changing over to what is known as electronic funds transfer (EFT). But the scale of the change is so enormous and the consequences so difficult to predict that progress is being made with extreme caution. Few banks have more than dipped their toes into the water and some have announced their intention of steering well clear.

It all seems to make sense in an electronic age when speed is vital. But apart from the huge cost of EFT, and all the complex technical problems which have to be solved, it poses profound questions to which there are not yet any clear answers.

One of the biggest is what happens in the event of a power cut. The enormous amounts of money (tens of billions of dollars at any one time) that is so, so, so, in transit between the time cheques have been paid in and the time they are cleared. With corporate money managers now a high skill and entire industry has grown up of the flow to exploit

Strong showing by left in Peruvian assembly poll

BY HUGH O'SHAUGHNESSY

LIMA, June 19

THE LEFT showed unexpected strength in yesterday's elections to select the 100-man constituent assembly which is to prepare Peru for a return from military to civilian government in 1980.

The Popular Christian Party, a right-of-centre grouping led by the middle class and headed by Sr. Luis Bedoya, a former Mayor of Lima, was topping the poll this morning with 33 per cent of the votes after half the country's polling stations had reported their results.

In second place came APRA, the populist party of the 83-year-old veteran Sr. Victor Raúl Haya de la Torre, with 29 per cent.

But the Popular Front of Workers, Peasants and Students (FOCEP), a radical Marxist-Leninist group critical of what it sees as Soviet revisionism, was in third place with 11 per cent of the poll. In some parts of the slums of Lima, it registered substantial victories over all the other parties.

The leaders of FOCEP include

Sr. Hugo Blanco, a former peasant leader and head of the guerrilla group which operated in the south of the country. Last month he was deported to Argentina.

The Revolutionary Socialist Party (PSR), whose leader, General Leonidas Rodríguez was arrested yesterday and reported to have been deported to Argentina, was taking 7 per cent of the vote, while the cent. of the Peruvian Communist Party had 5 per cent.

The left-wing groups together look like gaining a third of the seats in the constituent assembly, or about half as many again as they were expected to win.

The strength shown by the left will undoubtedly make the Government's impending negotiations with the international Monetary Fund more difficult. Next month the military government of General Francisco Morales Bermúdez will start negotiations on a new

agreement with the fund, aimed at relieving the country's acute foreign exchange crisis. The Central Reserve Bank's foreign exchange position has dipped to minus \$1.3bn.

Drastic austerity measures expected to be demanded by the fund will doubtless be strongly resisted by the left, and by political figures of the centre, who point to the fact that real wages last year fell to only 74.1 per cent of the level of 1975.

Meanwhile, the Government of Gen. Morales faces a dilemma about the future of those left-wing candidates to the constituent assembly who have been deported or who are in hiding inside the country, erasing orders for their arrest or deportation.

If they are allowed to take their seats, the Morales Government will suffer loss of face, but if they are not allowed to take their seats, criticism of the Government's attitude to the constituent assembly will become more strident.

New bid to end labour Bill filibuster

By Jurek Martin

WASHINGTON, June 19

THE SENATE has scheduled another vote for tomorrow to try to end the filibuster that is holding up passage of the Labour Law Reform Bill.

The Bill, which has the strong support of both organised labour and the Administration, would make it harder for companies to block union presence by a variety of delaying mechanisms.

But a coalition mostly comprised of conservative Republicans and southern Democrats, responding to the equally strong lobbying of corporate interests, has conducted a successful filibuster for well over a month.

A total of 20 votes are needed to end the filibuster. Although proponents of the Bill have come progressively closer to achieving that goal, they seem to be stuck at about two votes short.

At the last two closure votes on Wednesday and Thursday, the fifth and sixth in the series, only 58 senators were in favour of ending the filibuster.

To-morrow's division is thought to be critical. Although both sides are confident of winning the day, the feeling is that if the closure does not succeed, then momentum will have passed decisively to the opposition.

If that proves to be the case, it will be widely construed as evidence of the declining political power of the trade union movement.

Oil suit dismissed

NEW YORK, June 19

A FEDERAL judge has dismissed a suit by New England Petroleum to recover \$1.6bn from Libya and its national oil corporation for alleged breach of former agreements to supply the company with oil.

Judge Kevin Thomas Duffy based his dismissal on lack of jurisdiction because the defendants "are protected by sovereign immunity."

AP-DJ

Moscow accused over Vietnam

BY JOHN HOFFMANN

PEKING, June 19

THE "sinister role" played by the Soviet Union in South-east Asia has become the chief target of China's bitter reaction to the expulsion of Chinese nationals from Vietnam.

In the strongest attack yet published, the official newspaper, the Peoples Daily, this weekend named Moscow as the instigator of a persecution campaign which has driven more than 120,000 Chinese from Vietnam back into China.

A long article in the newspaper compares Vietnamese and Soviet statements on the refugee issue and said "what is particularly striking is the fact that the Soviet Union and Vietnam are so identical in tone and pattern in the anti-Chinese propaganda that one cannot be distinguished from the other."

One cannot help asking whether these similar and mutually supporting tones and arguments were mere coincidence or formulations based on consultations.

The newspaper says "the international background of the issue is the sinister role played by the Soviet instigator. It is the Soviet hegemonists and no-one else who want to strain Sino-Vietnamese relations so as to fish in troubled waters and achieve hegemony in Asia."

In shifting the blame for the Sino-Vietnamese rift squarely on to the Kremlin, the Peoples Daily adopted a tone almost sympathetic to Vietnam. China and Vietnam were good neighbours who had supported each other

House arrest for rights official

BY ROBERT LINDLEY

BUENOS AIRES, June 19

PROFESSOR ALFREDO BRAVO, secretary-general of the Argentinean teachers' union who has been held for more than 38 months in prison in La Plata, 35 miles south-east of here, was placed under house arrest on the weekend.

Professor Bravo was arrested in September while teaching at

a school for adults in Buenos Aires. He is a leading member of the Government-revoked Permanent Assembly for Human Rights.

St. Bravo is being held, apparently without charges, at the disposition of the executive branch, a procedure permitted under the country's state of siege.

U.S. COMPANY NEWS

Chicago options markets

merger plan: New Middle East route for Braniff; Investigation into Husky Oil share dealings, page 24

grouped in the so-called Electronic Money Council" are in the process of drawing up a consumers' bill of rights which they hope will cope with most situations. But as a couple of recent cases show, the role of the courts is likely to be large too.

In January, a Brooklyn seaman deposited three \$100 bills into his local Citibank machine before travelling abroad. When he came back, he found that his accounts would greatly increase the banks' operating costs. If EFT then developed a stage further, and gave depositors instant access to unit trusts, the banks would be in danger of losing their deposits altogether since these trusts invariably offer a higher yield than savings accounts.

In the end, banks could find themselves merely acting as channels for money without enjoying any of the advantages that they currently derive from handling funds. They would also be left to bear the enormous cost of maintaining the EFT machines whose reliability is thought to be doubtful at the best of times.

The third area of uncertainty over EFT is security. Although the banks argue that their EFT systems are highly secure and that the margin for error is small, they acknowledge that abuse and mistakes could happen. The large EFT institutions,

in the end, banks could find themselves merely acting as channels for money without enjoying any of the advantages that they currently derive from handling funds. They would also be left to bear the enormous cost of maintaining the EFT machines whose reliability is thought to be doubtful at the best of times.

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one reason is that U.S. banks, which are tightly limited by law as to what they can or cannot do, are locked in a battle of business with the savings banks, who enjoy certain advantages, among them the right to pay higher interest.

THE MONEY machines, TV screens and other electronic gadgets which have appeared outside banks and in shops all the way across the U.S. in recent years have all alerted the public to the fact that electronic banking is on the way in. In most cities now, people can get money or pay it in, settle bills or check their balances simply by pushing a button at a terminal, without going anywhere near a human teller.

According to recent estimates, some 21,000 electronic terminals are in operation, including about 7,000 fully fledged automated tellers machines which can receive cash as well as pay out cash, and make transfers between accounts. Even federally chartered institutions offering financial services were recently given the go-ahead to install automatic tellers.

However, this gadgetry is only the outward and visible sign of the retail end of changes that are going on deep inside the U.S. banking system, based on the wider use of new technology.

Collectively, banks are gradually changing over to what is known as electronic funds transfer or EFT. But the scale of the change is potentially so enormous, and the consequences so difficult to predict, that progress is being made cautiously, to say the least. Few banks have developed special link-ups so that corporate treasurers can keep a constant watch on company funds, and issue instructions to buy or sell securities and commercial paper in order

PUSH BUTTON BANKING IN THE U.S.

Broadly, the move towards EFT involves transforming the whole basis on which banks operate, and have operated for centuries. Instead of shifting funds about by means of pieces of paper—a process which can take days—they transfer it instantly by computer. In addition, customers get instant access to their accounts via TV screens and money machines, enabling them to keep an up-to-the-minute check on their assets.

Various banks have developed their own refinements. Some have hooked their computers up to the phone system, enabling a customer to transmit instructions by dialling certain numbers. Others have set up terminals in shops and supermarkets so that shoppers can draw on their accounts instantly at the check-out.

Banks with big corporate customers, like Manufacturers Hanover Trust in New York, have developed special link-ups so that corporate treasurers can keep a constant watch on company funds, and issue instructions to buy or sell securities and commercial paper in order

to keep company liquidity at a set level.

One Ohio bank has even linked up with a Wall Street securities firm to create a system where a customer can set consumer credit against the securities that are held for him.

Banks in the U.S. are gradually changing over to what is known as electronic funds transfer (EFT). But the scale of the change is so enormous and the consequences so difficult to predict that progress is being made with extreme caution. Few banks have more than dipped their toes into the water and some have announced their intention of steering well clear.

It all seems to make sense in an electronic age when speed is vital. But apart from the huge cost of EFT, and all the complex technical problems which have to be solved, it poses profound questions to which there are not yet any clear answers.

One of the biggest is what happens in the event of a power cut. The enormous amounts of money (tens of billions of dollars at any one time) that is so, so, so, in transit between the time cheques have been paid in and the time they are cleared. With corporate money managers now a high skill and entire industry has grown up of the flow to exploit

WORLD TRADE NEWS

China may get Japan technology

BY CHARLES SMITH

TOKYO, June 19.

NEGOTIATIONS between China and Japan on the supply of a colour television tube plant have been complicated by Chinese insistence that the plant should form part of a package which would also include an integrated circuit plant. The problem created by this is that integrated circuit plants are included in the Cocom list of strategically sensitive items which are not normally exportable to Communist countries.

China appears to be taking the line that it will not buy a TV tube plant from Japan unless an IC plant is supplied as well. It is believed to be demanding a highly sophisticated plant not a medium-level plant of lesser strategic sensitivity. The Chinese have been in negotiation with two Japanese companies as suppliers of one or both of the plants—Hitachi (which had a team of executives in Peking last week) and Toshiba. Matsushita Electric earlier regarded as a potential supplier of the TV tube plant, has apparently dropped out of the running.

Rumours that the Japanese Government had "tipped off" either Hitachi or Toshiba that Cocom approval for an IC plant export would be forthcoming were denied here by the companies concerned. It is felt that China must first nominate the company with which it plans to

place a contract, after which approval will be sought for the delivery of the plant. China is understood to be pressing the potential suppliers hard on pricing terms, possibly using the prospect of additional heavy electrical contracts as a lever.

Hitachi and Toshiba are

JAPANESE MANUFACTURERS of pillow block-mounted unit bearings used widely in agricultural equipment and conveyor systems have given the Common Market Commission an undertaking that they will raise prices by between 10 and 15 per cent, writes Kenneth Gooding.

As a result, allegations of dumping brought against the Japanese by the European Commission have been dropped.

believed to be interested in the chance of supplying heavy machinery equipment for the projected Chinese steel complex near Shanghai. With this in view the two companies are said to be negotiating "flexibly" on the tube and IC plants. Matsushita, originally a competitor for the tube plant, is not a manufacturer of heavy electrical generators and therefore may have lacked one of the motives possessed by

Hitachi and Toshiba for reacting "flexibly" to Chinese demands vis-a-vis the tube plant.

The potential value of the tube plant is estimated by one of the companies concerned at "rather less" than ¥220m (a downgrading from the earlier estimate of around ¥300m). The integrated

The EEC manufacturers claimed they had evidence which suggested that in some cases there was a 30 per cent difference in the prices the Japanese were charging in their home and export markets.

The undertaking now given by the Japanese industry will not have the same effect throughout the Common Market because individual exporters have given varying assurances about the way their prices will change.

circuit plant, it is believed, might be slightly more costly than the tube plant.

Opinions differ as to whether one company is likely to get both contracts or whether the contracts will be shared between Hitachi and Toshiba. Hitachi was the winner of the first contract to supply a large-scale computer to China (approved by Cocom after minor modifications to the original specifications) early this

year. China does not recognise Cocom and has thus habitually refused to place a conditional contract with an external supplier pending approval by Cocom. This appears to be one of the problems involved in current negotiations over the integrated circuit plant.

Meanwhile, Reuters reports that Asahi Glass says it will sign a contract in Peking this month to export a colour television bulb glass plant worth about ¥130m to China.

The plant, capable of manufacturing 1m bulbs a year, will start operations in the second half of 1985.

The French Petroleum Institute will train Chinese technicians under a scientific and technical cooperation agreement signed with its Chinese counterpart, AP-DJ reports from Paris.

The accord was signed in Peking during a visit by M. Jean-Pierre Capron, director of the French Ministry.

M. Capron went to China to prepare a French exhibition on oil, gas and petrochemical techniques to be held from November 29 to December 3. About 60 French companies will be present at the exhibition, with special emphasis on offshore exploration.

UK groups join in the bidding for Hijaz line

By Rami G. Khouri

AMMAN, June 19. BRITISH consulting companies are included in three of the eight consortia of companies that have been chosen by a tripartite Jordanian-Syrian-Saudi Arabian committee to present bids on conducting a feasibility study to reconstruct the entire Hijaz railway line.

The eight short-listed consortia were picked this week from a group of 21 and now have until September 23 to submit their offers for the giant project. It would involve rebuilding the entire 1,300 kilometres of the historic railway in standard gauge track instead of the existing narrow gauge track.

The British companies are Transmark, Rendel Palmer and Tritton with Mott Hay and Anderson in one group; the Economic Intelligence Unit with Sotacel of Italy in another; and Freeman Fox International, Henderson Hughes and Busby, with Price of Pakistan, in the third.

The tripartite committee will meet in Riyadh in the second half of October to select the companies for the feasibility study. They will sign the contract before the end of this year and will be expected to produce their final study within 18 months, according to Jordanian Transport Ministry under secretary Hashem Taher, who adds that "all sides are now serious" about going ahead with the project.

TEXTILES

India goes back to using the handloom

BY RHYS DAVID, TEXTILES CORRESPONDENT

IN A MOVE which at first sight might appear to step backwards industrially, India has decided that no future expansion of weaving in the country's textiles mills or through the use of power looms will be permitted, but that instead additional cloth production, to meet home and export market requirements, will have to come from handlooms.

It is a decision which reflects on the one hand the Indian Government's desire to take advantage of the employment opportunities, particularly in country areas, which cottage industry can offer, but it has a commercial logic as well.

Against a background of depression for several years in textiles worldwide, the Indian handloom sector has been buoyant. While in the 1960s the markets for handloom products were other parts of the Far East and Africa, today, as a result of strong fashion demand, 80 per cent of India's handloom exports are going to Europe, the U.S. and other developed countries.

The restriction on the growth of mills will help to stem the drift from the villages to the towns but it will also help to avoid competition for yarn and other raw materials needed for an anticipated increase in output from handlooms to around 3.6m metres a year over the next five years, from the present 2.3m metres.

The encouragement which the Indians are now giving to this sector is also recognition that to hold one's place in world textile markets against strong competition from other low cost sources and from developed countries, it is essential to have a distinctive product.

Handloom products, of which India is by far the biggest manufacturer, are also free in some, though by no means all, countries, from quota restrictions—an important advantage at a time when developed countries, through the recent Multi Fibre Arrangement, have increased substantially the restrictions on low cost imports.

The move remains, however, only part of a wider strategy which India seems likely to adopt in a bid to increase its share of world markets currently still very low, but excessively concentrated in a small number of product areas. At a recent conference in London, Mr. K. Sreenivasan, chairman of the National Textile Corporation of India, pointed out that India's share of world trade in textiles increased between 1973 and 1976 only from 0.64 per cent to 1.67

Yugoslavia gets \$18m credit line

THE Export Credits Guarantee Department has guaranteed the repayment and funding for a \$18.4m loan which Barclays Bank International has made available to Prva Iskra of Barice, Belgrade, Yugoslavia.

The loan will help to finance a contract awarded by Prva Iskra to Ingeco Laing for the design, engineering, supply of components and commissioning of a linear alkyl benzene plant to be installed in an existing plant at Barice.

This is the first contract to be won by Ingeco Laing, the specialist engineering contractor combining the resources of the Swiss-Italian contracting group Altech and the UK based John Laing Group.

The speed with which Ingeco Laing was able to set up the financial package was a key factor in winning the contract.

The new plant, which is due to be commissioned in autumn 1980 will have the capacity for an output of 50,000 tonnes of linear alkyl benzene a year for use in the production of detergents.

French-Swiss contract

Cit-Alcatel, the telecommunications subsidiary of the French Cte Generale d'Electricite (CGE) electrical group, says it has received an order from the Swiss Post Office to supply equipment, notably laser diodes, for an experimental optic fibre telecommunications network.

The optic fibre is to be manufactured by a Swiss company. When completed, the link will be able to carry 8 megabits and will be set up in the Bernese region. Cit-Alcatel says it is the first export order it has received for such equipment.

New aluminium plant

Brazil's state mining company Cia. Vale do Rio Doce (CVRD) will formally set up the aluminium producing company Albras SA in Rio de Janeiro today with its Japanese partners in the project, Nippon Amazon Aluminium.

Albras, in which CVRD will hold a 51 per cent share and NALCO the rest, is expected to produce 40,000 tonnes of primary aluminium near Belem, Para State, in its first year. Rising to \$20,000 in its first year. Total investment in Albras is estimated at more than \$855m.

Ford-India negotiation

Ford Motor Company says it has been selected by the Indian Government to negotiate a contract for a domestic television and communications satellite.

Company officials say specific contract language has not been approved by either side, and decline to indicate the size of the potential contract.

Signs that West German inflation is declining

BY GUY HAWTIN

FRANKFURT, June 19.

WEST GERMAN import prices remained stable between March and April, this year, but were a full 7.6 per cent below price level a year earlier. The figures give a clear indication of the importance of declining import prices in slowing the West German rate of inflation.

The statistics, produced by the Federal Statistical Office and published by the Economics Ministry, show the index for import prices (1970=100) standing at 146.5 during both months. The two months percentage decline, compared with a year earlier, was even steeper than the 6.4 per cent fall reported for February-March.

German industry is expected to increase investment outlays by a real 5 per cent this year, according to the results of the latest IFO Institute survey of companies' investment plans. This follows stagnation in investment spending in real terms in 1977, but all the same does not mark a strong revival of expenditure, reports Reuters from Munich.

This year's investments partly represent spending on projects which were delayed in 1977 because of pessimistic sales expectations, the IFO said.

Most companies' spending plans are centred on rationalisation rather than capacity expansion, the IFO said, pointing out that companies can hardly be expected to make significant capacity extensions over the rest of the year when existing plant is only about 80 per cent utilised.

Technological innovation and new production methods are providing an increasingly important impulse for investment, it said.

Increased spending will be concentrated on the capital goods industry and in some consumer sectors, with the upturn in the building industry also encouraging more expenditure in related areas, it said.

However, replacement investment rather than capacity extension spending will continue to play the dominant role in companies' expenditure plans.

Trend towards Europe in Latin America car sales

BY TERRY DODSWORTH, MOTOR INDUSTRY CORRESPONDENT

THE Latin American car market should show an average of a little more than five per cent a year, according to a new study by Euroeconomica, the Paris-based research institute.

In a 240-page analysis of the region, one of the most rapidly growing vehicle production areas in the last decade, Euroeconomica concludes that the stock of private cars, estimated at 11m in 1975, should double by 1985.

The commercial vehicle stock, reckoned to be about 4m units at present, should go up in a similar fashion to cars.

The report argues that European-type cars will gradually increase their popularity in the area at the expense of American designs, mainly because of the demands for economy.

Volkswagen, it says, will retain market leadership in the area with about 33 per cent of sales, followed by Ford on 15 per cent.

Fiat should expand to about 10 per cent of the market within the next seven years, while the

chances of Renault and Peugeot/Citroen, achieving a similar improvement depends on their ability to rationalise their resources in the area.

General Motors and Chrysler at present have 11 per cent and 9.5 per cent respectively in the area, in which the three leading countries—Argentina, Brazil and Mexico—provide over three-quarters of the total, and four-fifths of the passenger car stock.

The Japanese manufacturers are not expected to improve their position substantially.

The Latin American Automobile Industry Prospects to 1985, Euroeconomica, 9 Avenue Hoche, Paris. Frs 3,000.

Dexion Qatar order

Dexion has won a firm order from the Qatar Government for the total equipping of four warehouses in the Doha area including Dexion speedlock pallet racking; Impex two-tier small parts storage; Simplan offices; furniture; air-conditioning units; and forklift trucks.

Brazil-Taiwan rocket deal

By Diana Smith

RIO DE JANEIRO, June 19.

BRAZIL is to sell its nationally developed Sonda Three rocket to Taiwan. In return, Taiwan will supply advanced electronic knowledge that will fill a gap in Brazil's space technology, that of missile tracking.

Brazil's space rocket developments, which began with the rudimentary Sonda One and last year, led to the more sophisticated Sondas Two and Three, have not pleased the U.S. in particular.

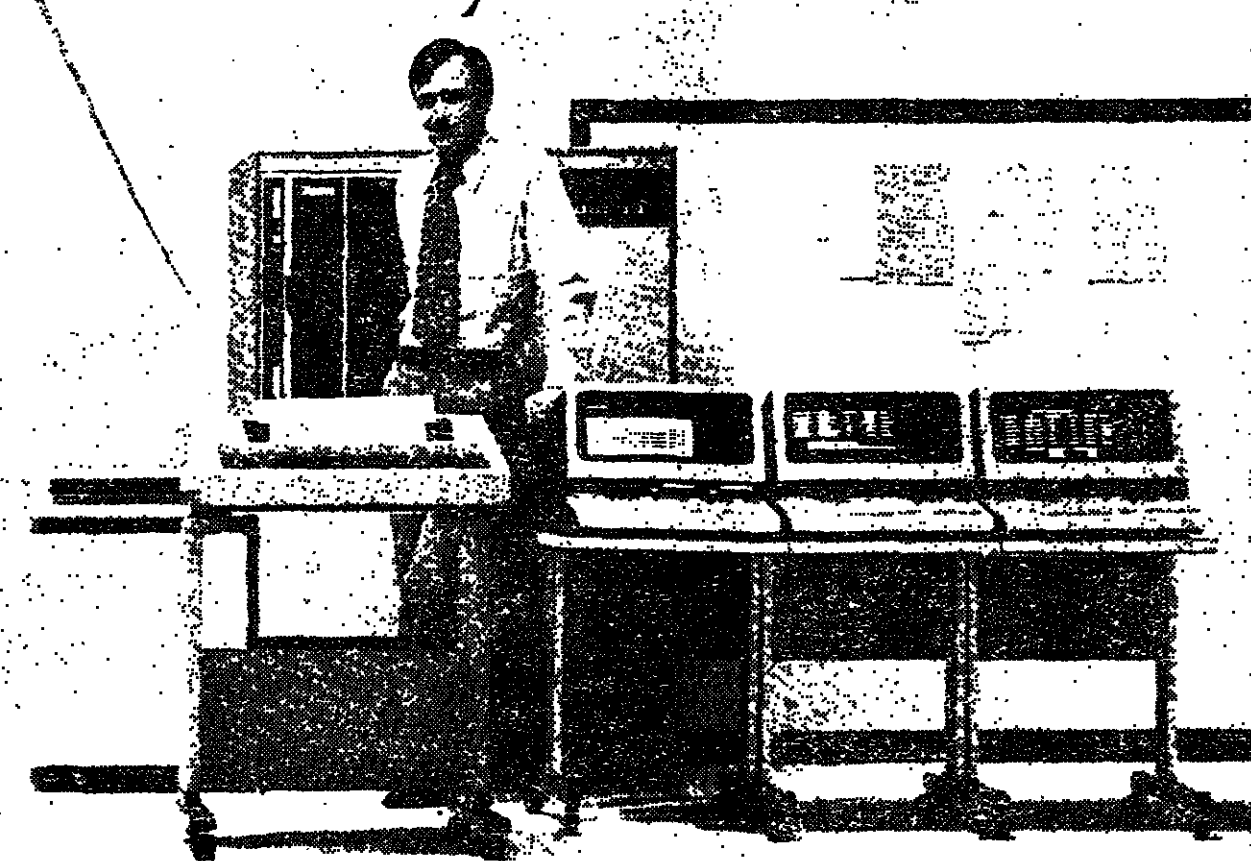
When successful testing of Sonda Two and Three were announced in 1977, the U.S. and France cut off supplies of the special synthetic rubber polybutadiene, which in its hydroxylated and carboxylated form, is the basis of Sonda fuels.

Brazil has skirted the resistance of countries like the U.S., France and the UK to its space programme by drawing on West German technology, and now, at the Aesetia Steel Works, produces its own special steel plates for rockets.



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An interactive information network for your office.



The HP 3000 handles batch processing and gives you access to management data on CRT terminals. You can form a business network by linking up HP 3000 systems, then hook up to your factory's HP 1000s and IBM.

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You can put HP 1000 systems to work on such tasks as automated testing and final QA, then tie them to another system at production control. Or link our systems that handle purchasing and incoming inspection to an HP 1000 used for materials management. Then these computers can be linked

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Proven, inexpensive software (called DS/1000) makes all this possible. And HP 1000s can also link up with both IBM and HP 3000 systems.

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On the business side of your company, these HP 3000 computers will take care of batch processing and, at the same time, let you call up management information on interactive terminals.

While the computer is processing payroll, orders, invoices, accounts receivable or general ledger, the Data Base Management system allows you to obtain data on terminals about sales, inventory, personnel, customers and projections—while still providing security for protected information.

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FT/20/8

Councils given £100m help for land buying

By MICHAEL CASSELL, BUILDING CORRESPONDENT

THE Government yesterday launched a major initiative to stimulate the struggling community land scheme. It has allocated £100m to be used by local authorities for land acquisition over the next two years—between two and three times the resources available in the first two years of the scheme—and has also announced changes to speed the rate at which land is made available for development.

Authorities will no longer have to seek departmental approval for individual deals and will keep a larger share of any surplus arising from land dealings. The building industry has been severely critical of the scheme, which comprises the Community Land Act and Development Land

Tax, claiming that local authorities are ill-equipped for their new role and that the supply of land has been drying up because of penal tax rates faced by landowners who sell.

Mr. Reg Ffreeson, Minister for Housing and Construction, said yesterday that the Government was not, however, anticipating any land shortages.

"We are simply asking the local authorities to make up the ground lost in the economic blizzard through which we have passed."

He said that the authorities now had a vital role to play in ensuring that enough land was made available for development. He admitted that the high rate of development land tax—temporarily at 66½ but to rise to 80 per cent in April—was likely to discourage some landowners from selling. Authorities would have to "fill the gap."

Mr. Ffreeson continued: "Local authorities will need to have an entrepreneurial approach to land dealings on behalf of the community and maintain a close and continuing dialogue with builders and developers."

"It is new and uncharted territory for many local authorities but they have a big opportunity to plan the future shape of our towns and cities."

Mr. Ffreeson said that house builders would, under the scheme, be able to carry lighter land taxes and purchase from local authorities when they required it.

The system would stabilise the

Electricity Board's profit falls

THE SOUTH of Scotland Electricity Board made a £5.6m profit last year—considerably lower than the previous year's despite record turnover of £400m.

The Board's annual report, published yesterday, shows that it paid interest charges of £6.9m last year. It therefore achieved its overall financial objective for 1977-78, which was to break even with something to spare.

Last year, the Board's electricity sales rose by 2.4 per cent. The most significant growth in demand came from industrial and commercial customers.

Reserves at the end of the financial year stood at £60.1m.

More nuclear generating capacity would be required towards the end of the century to supplement coal-fired plants as indigenous reserves of oil and gas become depleted, according to the Board.

Mr. Roy Berridge, Board chairman, said in Glasgow that he did not expect any further increase in electricity prices before next April.

But he admitted that if there was a big increase in coal prices, the Board would have to review the situation.

Prices for domestic electricity in the South of Scotland area were about 10 per cent lower than in England and Wales, mainly because the Board had a higher proportion of nuclear power stations and more modern plant.

Crown Agents official 'bribed to make loans'

A SENIOR OFFICIAL of the Crown Agents, the public body which needed a Government financial rescue in 1974, was concerned in corruption involving £1.75m, it was alleged at the Old Bailey yesterday.

Mr. Bernard Wheatley, who died last year aged 48 and was manager of the Crown Agents' sterling money market activities, was bribed to authorise loans totalling £1,750,000 to companies owned by Gueydar Sidney Finley, 58, of Nightingale Lane, Clapham, South London, said Mr. Roy Amlot, prosecuting.

Payments, in the form of loans, totalling more than £320,000 were made to Mr. Wheatley, said Mr. Amlot, and at the end of the day none of the £1.75m loaned by the Crown Agents to Finley's companies had been repaid.

Finley has denied eight charges of corruption which allege he made gifts or considerations to Mr. Wheatley in the form of loans totalling £321,000 as inducement or reward to him to authorise loans from the Crown Agents to either of two companies—SIS London or Big City Finance—which were in Finley's Tanweer Group.

Mr. Amlot said: "Mr. Wheatley died last year after his conviction for trial in this court and before he was actually tried. It was not for that unfortunate fact he would certainly be sitting in the dock with this defendant."

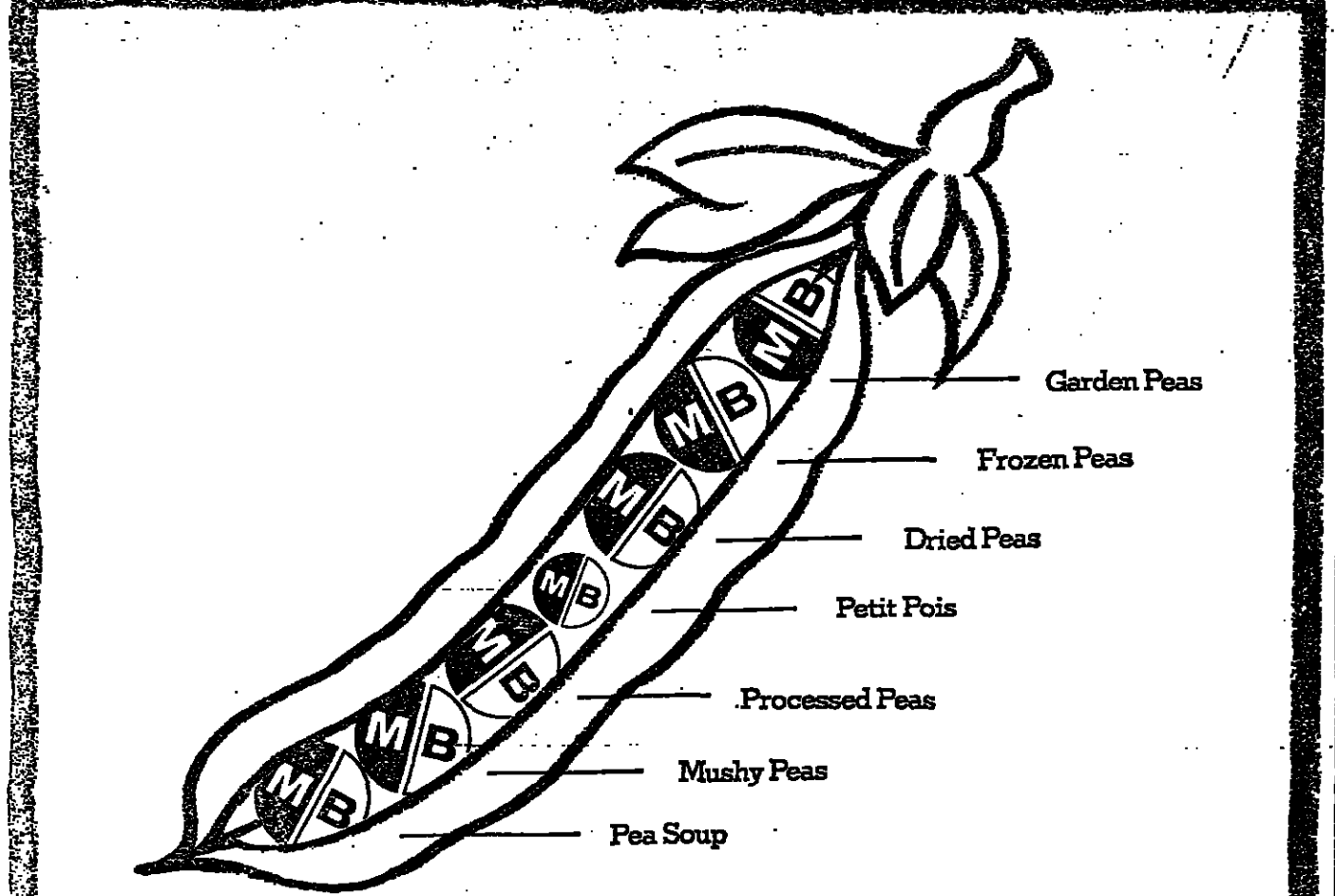
He told the jury Mr. Wheatley, as manager of the Crown Agents' sterling money market, had authority to lend very large sums of money to almost any concern he thought fit.

Between 1969 and 1974 Mr. Wheatley had loaned £1.75m to companies owned by Finley. The money was never repaid because in 1974 Finley's companies were going bust. They were, in fact, wound up in 1975.

Mr. Amlot said: "The allegation is that over the same period Mr. Wheatley had loaned a total of £322,000 in various amounts at different times. More than half of the money loaned to Mr. Wheatley was never repaid because he was not in a financial position to do so. At the end of the day Mr. Wheatley owed £182,000 to Finley."

In the case of the largest loan made to Mr. Wheatley—£198,000 in 1974—the Crown was saying that money was in reality the Crown Agents' own money.

"Such," says the Crown, was the state of corruption by February, 1974," said Mr. Amlot. He told the jury they may have read that the Crown Agents lost a



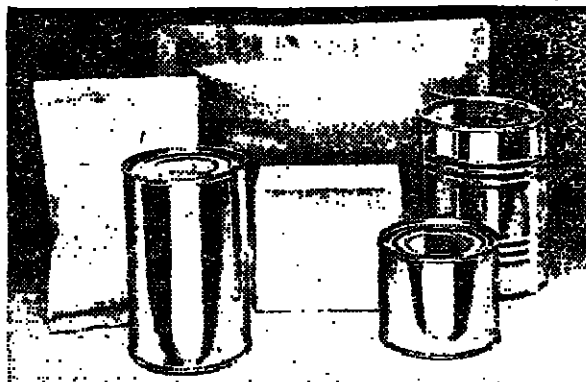
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Brent C oil platform in place

By Ray Dafer, Energy Correspondent

SHELL and Esso are preparing to boost production from their Brent C oil and gas field in the North Sea, the biggest commercial reservoir in the UK sector.

The two are spending over £2.55bn on the field's development, according to industry reports.

Shell UK Exploration and Production, as operator for the partnership, announced yesterday that the Brent C production platform—the fourth and final production unit—had been successfully located on the field. It was towed from Norway in five days.

The concrete structure was built by McAlpine/Seabank at Ardyne Point, Scotland, and towed to a deepwater site in the Shetland Islands, some 95 miles away. Brent oil is expected to be carried through this pipeline early next year.

Residues produced oil and gas, the platform will act as the pump station for the Brent pipeline system, which links the field to Sullis Voe in the Shetland Islands, some 95 miles away. Brent oil is expected to be carried through this pipeline early next year.

Programme

Initial supplies of Brent crude are being loaded into tankers for trans-shipment to refineries.

Oil produced from the field is being produced only through the Brent A platform, brought on stream on June 8.

The Brent B platform, which produced the first oil from the field in November, 1976, has been shut down while Shell carries out the second phase of its construction programme.

The Brent D production platform also began a three-week shutdown on June 10 so that gas compression facilities could be commissioned.

Oil produced through the Brent C platform should be added to the total output by the second half of next year.

Brent, thought to contain some 2bn barrels of recoverable reserves (including about 600m barrels of condensate and natural gas liquids) is expected to reach peak production in the early 1980s.

Shell said that the field should yield up to an average of 580,000 barrels a day, including 100,000 barrels a day of gas liquids.

Stronger sterling predicted

By David Freud

STERLING is likely to strengthen reflecting the altered prospects for monetary growth after the recent economic package. City brokers Laing and Crutekshank predict.

They say domestic credit expansion would have grown £3.5bn in the first half of 1978-79 but, after the package, it will grow by £1.5bn—or nil from now on. That will tend to reduce interest rates and the Minimum Lending Rate is expected to fall slowly, probably reaching 8 per cent by September.

The rise in sterling will be supported by improving expectations for the current account payments position next year, which might register a £1.5bn surplus compared with a predicted £250m surplus this financial year.

The most effective part of the package was the imposition of the corset, the firm says. The required 3 per cent reduction in banks' interest bearing eligible deposits means that the money supply cannot grow more than 2 per cent in the first half of 1978-79, the equivalent of no growth between now and August-October.

The introduction of the corset meant that private-sector lending could only be allowed to rise £500m in the first half against the pre-corset prospective growth of £3bn.

Discussions with unions and employees about redundancy terms are still going on. They have been told that about 300 jobs will go at Wolverhampton when some work is transferred to Hednesford and another 100 will be lost at Hednesford too.

The cut will go ahead "as quickly as possible." At present

Plan for Wales knitwear industry studied

By Our Welsh Correspondent

THE DEVELOPMENT Board for Rural Wales has engaged management consultants Inbucor/AIC to study the possibility of establishing a new style "cotage" knitwear industry in west Wales.

The Board sees the industry providing jobs and is identifying to stay in rural areas, without large capital outlay on plant and machinery.

It believes that the use of Welsh wool in quality controlled, well-styled garments, marketed at home and overseas, could be successful if carefully planned.

Inbucor has already carried out similar studies in the use and marketing of natural linens in Britain. Future markets for the clothing industry, and into reviving the West Indian sea island cotton industry.

The knitwear industry is already the subject of a Government inquiry and has been selected as one of the key industries in the National Industrial Strategy.

The Department of Industry and National Economic Development Office have agreed to co-operate in the study.

Unit trust sales decline in still-buoyant market

By ERIC SHORT

MAY unit trust sales continued to be buoyant but were considerably lower than April's record level, according to figures released yesterday by the Unit Trust Association.

Sales fell from £70.3m to £58.2m, but this figure was the second highest on record.

In the first five months of this year, total value of sales amounted to £244m, compared with £141m in the corresponding period last year and £168m in 1976.

These sales are well ahead of those for the corresponding periods 1972 and 1973, reckoned the boom years for unit trust business.

Repurchases, however, were also up on the month at £25.7m, compared with £21.4 in April, resulting in net new investment in May of £27.6m, compared with the record £48.9m of April.

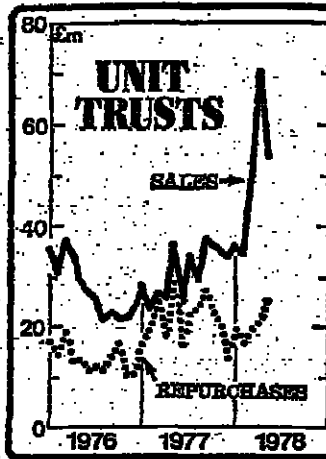
Net new investment in the first five months of this year now stands at £141m, compared with £51m in 1977 and £90m in 1976. Again, this is a record for the period.

The surge in investment arises primarily from the popularity of U.S.-based funds which have been advertised heavily by various unit trust groups, both large and medium-sized. The UK-orientated income funds have also contributed to the growth by providing a steady sales base.

The groups still regard these funds as protecting their "bread and butter" business.

Sales last month resulted in the value of funds under management increasing to £3.73bn at the end of the month from £3.59bn at the beginning. At the end of May last year the value of funds stood at £3.03bn.

However, the number of unit



holder accounts continues its slow decline, shedding more than £200 to £19m in May compared with 207m a year ago.

Economy picking up sharply, but slower rate is likely

By DAVID FREUD

BRITAIN'S ECONOMY is picking up sharply, according to official figures, published yesterday, designed to identify changes in the level of activity.

However, the indicators suggest that the pace is likely to slacken later this year.

The Central Statistical Office's two short-term indices of movement—of shorter-leading and coincident indicators—have been rising for the six months to April.

The index of coincident indicators, which reflects current developments in the economy, is now 6.6 per cent above October's

level. The shorter-leading indicators, which have an average lead time of about six months, are 7.2 per cent up.

However, the index of longer-leading indicators, which have an average lead at turning points of about 12 months, fell 0.1 per cent.

It stands 7.1 below the October figure. The main reason for the fall was a further rise in interest rates, used in inverted form when compiling the composite indicators, which offset the rise in developments in the economy, is the FT-Actuaries 500 index.

Indicators affecting the shorter-

leading index included the sharp rise in hire purchase new credit, which offset a fall in new car registrations.

The composite index of coincident indicators rose in April because of the further expansion of the smoothed series of retail sales and an increase in the index of manufacturing products. The office's major caution in interpreting month-to-month movements and the figures are subject to revision. Nevertheless, the clear warning of a decline in activity delivered by the longer-leading indicators accords with general expectations.

Fafnir rationalises UK production

By KENNETH GOODING, INDUSTRIAL CORRESPONDENT

THE LATEST victim of the severe recession in the bearings industry is Fafnir, a subsidiary of Textron, the U.S. conglomerate.

It is to rationalise UK further redundancies at SKF production at the cost of 400 (U.K.) jobs.

The scheme will involve concentration of all standard bearing manufacture at Fafnir's Hednesford, Staffs, factory while the high-technology and "special" bearings—the group makes bearings for the Rolls-Royce RB-211 engines—will be made at Wolverhampton.

At one stage it seemed likely that the Hednesford plant would be closed even though it received the lion's share of Fafnir's £2.5m expenditure programme in 1974-75.

A major addition to the plant, which makes wide inner ring bearings and transmission card-ridge units, was opened in spring 1975.

Discussions with unions and employees about redundancy terms are still going on. They have been told that about 300 jobs will go at Wolverhampton when some work is transferred to Hednesford and another 100 will be lost at Hednesford too.

The cut will go ahead "as quickly as possible." At present

the company employs about 1,400. Cut-throat pricing in the bearings market has also led to redundancies at SKF group which last year reported a £5.6m loss and that 75 jobs would be cut at Sundon near Luton, and 125 at Irvine in Scotland.

The only wholly British-owned bearings group, Ransome, Moffatt and Rolland, recently reported that "profit from its bearings division had fallen from £1.32m to £300,000 in the six months to March 31, on turnover only marginally ahead from £27m to £28.9m.

It is estimated that the U.K. bearings industry has lost about 5 per cent of its employees in the past 18 months and the total is now down to about 15,700.

Although the main problem is simply one of demand and over-capacity throughout Europe, the U.K. manufacturers have also accused the Japanese of dumping bearings.

Japanese makers gave an undertaking to the EEC Commission to put up prices by 20 per cent from the beginning of 1978, but the European manufacturers still insist that the increase did not make up for the dumping margins.

Australia flights 'will be cheaper'

CHEAPER air fares to Australia by the end of the year were predicted yesterday by Sir Lennox Hewitt, chairman of the Australian airline Qantas.

"I am sure there will be lower fares on the route this year. And I am sure they will provide for financially-viable services," he said in London.

It is almost certain that the Europe-Australia routes will be drawn into the growing number of cheap fare packages now being offered around the world.

Until recently, because of its vulnerable position at the other side of the world, Qantas has been wary of making too much noise about cutting fares.

But talks between British and Australian Government officials today entered a second week in London, and the Qantas discussions is to allow Qantas and British Airways to bring down the cost of the 12,000-mile journey to Australia.

Last autumn British Airways—in the face of an application

by Laker Airways to introduce cheap charter air services on the route—applied for a low season return fare to Australia of £385.

Laker, whose application with that of BA is still "on the table" at the Civil Aviation Authority, wanted to charge £340 return.

This compares with today's cheapest off-season fare of £490.

One reason for the hold-up is a review by the Australian civil aviation body of the entire air travel industry in and outside the country. This is now with the Australian cabinet, and a decision is expected within a few days.

The CAA was obliged to shelve the application until Canberra made a move.

Sir Lennox claimed that on allowing any type of charter operation, fearing that this would dilute the scheduled carrying.

Sir Lennox claimed that charterers would put a substantial strain on scheduled services from points other than Sydney and Melbourne.

HOME CONTRACTS

£5m gun tractors ordered

FODENS has won a £5m contract to provide the British army with medium mobility gun tractors and limbers. The order calls for 50 tractors and 66 limbers, and will take about 16 months to complete. The tractors are designed to pull the new 155 mm gun.

The equipment will be built at Fodens' Sandbach assembly plant in Cheshire.

Orders totalling around £5m have already been received for INTERNATIONAL COMPUTERS' new machine, the 2972. Three of the orders are from local authorities, which will be using the computers for both financial and non-financial applications.

The largest system is for Mid Glamorgan County Council—

costing £1.5m, it will have 3m characters of main memory and 14 disc drives, each with capacity of 200m characters. It will be installed at County Hall, Cardiff, in June 1979. A similar system, with 10 disc drives, will be installed at City Hall, Cardiff, for the City Council, in March 1979. A smaller system has been ordered by Oxfordshire County Council, which will be installed in July 1979.

Building contracts totalling over £500,000 have been secured by MANSTON. The largest is for a warehouse, costing £287,000, for the Leigh Mills Company, at Leigh, Road Industrial Estate, Leeds.

● Today sees the start of Sotheby's sale of the von Hirsch art collection—one of the most important art sales held. The 750 works of art are expected to fetch at least £5m, and a total in excess of £10m seems likely.

'Boost jobs in small companies'

By Our Midlands Correspondent

A CALL for the Government to focus attention on small companies to achieve a dramatic fall in unemployment comes today from the West Midlands Economic Planning Council.

The council says in a study of small concerns that capital investment in large companies reduces jobs through rationalisation. By contrast, the development of small concerns creates employment.

The Government is urged to modify policies on taxation, employment and financial assistance to provide "positive help for growth-minded firms."

Victorian paintings set records

THE DRAMATIC increase in demand for Victorian painting resulted in Phillips yesterday achieving a record total for a picture sale of £222,340 (6 per cent unsold).

The sale of 19th and 20th-century English and Continental pictures realised the interest Continental buyers are now showing in the period.

Edgar Hunt's A farmyard scene with a donkey, poultry and goats outside a barn (1821), fetched £11,000, a record price for the artist. The estimate had been in line with the previous highest of £5,600.

Rubens Santoro's The Canal San Trovaso, Venice, was sold for £9,500 to Parashos, a Canal, Venice, by the same artist. German dealer, and The Apostles went for £3,800 (estimate £4,000) to the London dealers Williams and Son.

Sotheby's sale of Spanish books yesterday totalled £14,219. The top price of £700 was paid

SALEROOM

by London dealer Quaritch for Espinosa (Pedro) Primera parte de Las Flores de Poetas Ilustres de España (first edition).

The sale of Russian works of art by Sotheby's realised £32,115. A 17th-century enamelled casket by Maria Semenova, Moscow, fetched £5,600.

A Fabergé gold cigarette case with an enamelled lid depicting three nymphs on a rock went for £2,900.

A sale of English and Welsh porcelain at Christie's yesterday made £37,815. The top lot, at £1,500, was paid by Studio Antiques, the Gloucester dealer, for a pair of Chamberlain's Worcester quart mugs, painted with dead game birds.

The Harry Ross collection, which went under the hammer at Christie's, realised £33,543. Mr. Ross, who lives in Wimbledon, bought his first bottle for £25.

The top price in yesterday's 181-lot sale, was £2,800 paid by Sung the U.S. dealer, for a Peking enamel bottle, the base with Ch'ien Lung four-character mark, painted with shaped panels of European ladies and children seated in wooded landscapes.

● Today sees the start of Sotheby's sale of the von Hirsch art collection—one of the most important art sales held. The 750 works of art are expected to fetch at least £5m, and a total in excess of £10m seems likely.

Volvo 244DL	£4769
Renault 20TS	£4960
Audi 100LS	£5145
BMW 320	£5349
Ford Granada 2.3 GL	£5734
Mercedes 200	£6350

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NatWest personal account charges up

BY MICHAEL BLANDIN

PERSONAL CUSTOMERS of National Westminster Bank will face higher charges for running their accounts for the second half of this year.

The bank yesterday became the second of the big four to announce higher charges following the Price Commission report which cleared the way by accepting that their present scales were "not excessive."

The move followed the changes already announced by Lloyds Bank for the next half year. Barclays and Midland are not expected to introduce any increases before the beginning of next year.

The NatWest package shows some significant differences from the Lloyds move. It includes a substantial rise of 50 per cent in the charge made for debit entries on the account—cheques and standing orders—for those customers who do not qualify for free banking.

NatWest is, however, keeping the minimum balance required to qualify for free banking for

its five million personal customers at £50.

Mr. Jeff Benson, the group chief executive, said that more than three-quarters of personal customers who keep in credit will continue to pay no charges.

For customers who do not keep the minimum balance, the charge for debit entries goes up from 10 pence to 15p. This compares with the increase from 9p to 12p at Lloyds, where a lower charge of 7p was also introduced for Cashpoint automated withdrawals.

NatWest is also introducing, in line with the Commission's suggestion, an allowance against charges for the value of money left on the account which will be more closely related to the general level of interest rates.

The allowance will be at 1 per cent below the bank's normal seven-day deposit rate, rather than the fixed 5 per cent which has applied until now.

At present, this would give an allowance of 6 per cent. Lloyds fixed the offset allowance at 1 per cent below deposit rate.

NatWest is also changing its basis of charging customers, which at present varies between quarterly and half-yearly at different branches. All charges will now be made quarterly.

This will be introduced at the beginning of next year and has certain advantages for customers in reducing the period for which the minimum balance has to be maintained to qualify for free banking.

Mr. Benson pointed out that the £50 minimum had been set at the beginning of 1974, and in real terms had been reduced since then to little more than half its original value.

Commenting on the Price Commission's alternative suggestion that the banks should pay interest direct on current accounts, Mr. Benson said: "I am by no means convinced that many of our customers would welcome such a move, bearing in mind that as matters stand there would be a tax liability on the interest earned, but we will keep the matter under review."

Footwear outlook bright

BY ARTHUR SMITH

THE OUTLOOK for the footwear industry this year seems reasonably bright, according to the British Footwear Manufacturers Federation's quarterly review, published today.

Higher consumer spending is expected to benefit the domestic retail trade, while the recent depreciation of the pound should give some help to exports.

The review presents a mixed picture of the industry, which is reported to be "still reasonably busy." Exceptions are in the men's leather sector and some parts of the children's trade where a swing to more casual styles has hit demand.

Most companies have more than a month's work in hand, but there is still widespread spare capacity. "The implication seems to be that, though firms are busier, few are as yet sufficiently confident to gear themselves up to higher rates of production," the federation says.

Mr. Wade, in unambiguous contrast to such views, said that the TUC had come for the TUC to "stop playing the role of policeman, either overtly or tacitly, over its affiliated unions in respect of pay policy."

For some time, he said, there has been a strain in the wind about Phase Four and alle-

gations about secret meetings accept any norms, guidelines or incomes policies at this time."

Among the motions on pay policy to be debated today is one calling for an aggressive campaign, including mandatory meetings in working hours, non-co-operation and a work-to-rule aimed at achieving a high basic rate and a shorter working week.

Earlier yesterday, Mr. Les Dixon, NGA president, expressed his concern that in recent months some national newspaper members had refused to accept the authority of the union.

This problem arose most recently in an unofficial dispute by machine managers at The Observer, and led to warnings that the newspaper could close if normal working was not resumed.

"There is nothing more damaging to a trade union than the undermining of its constitution and authority, and having to inform any management that, although we have given instructions for normal working to be resumed, our members are ignoring that instruction," said Mr. Dixon.

London region delegates yesterday failed in an attempt to have motion included on the order paper which would have given regional secretaries authority to call industrial action.

Television revenue may rise

INDEPENDENT television's advertising revenue may increase this year by 20 per cent, boosted by higher consumer spending and a jump in the cost of 30 per cent according to a survey by Glasgow stockbrokers Eason Watson and Smith.

"The advertising mix is broadening all the time," Mr. David Robb, an Eason research analyst, said yesterday.

High prestige companies like banks and building societies are now bidding for prime time.

The industry had recovered from the 1973 setback, when an increase in broadcasting time boosted production costs, as consumer spending declined.

Granada and London Weekend Television were prime investors in the sector. Both had minimised the risk of losing their franchises under the review in 1981 by selling production rights for network distribution.

Such a move tended to insulate a company against the charge of poor quality TV productions.

The companies had avoided some of the worst effects of the special levy, which could cream off up to 60 per cent of a contractor's pre-tax profits, by selling TV productions overseas.

Aldershot arms exhibition interests Chinese mission

BY LYNTON McLAIN AND COLINA MacDOUGAL

BRITISH PLANS to convert container ships to carry the Harrier vertical take-off fighter were unveiled at the Aldershot Army Equipment Exhibition yesterday 24 hours before Chinese defence manufacturers plan to tour UK company stands.

The exhibition is the largest and most comprehensive array of military equipment ever exhibited in one place, the Ministry of Defence said yesterday.

Over 10,000 items of equipment are on show in this shop window of UK defence equipment industries. They sold £700m of military equipment last year.

Fairey Engineering, a subsidiary of Fairey Holdings, showed a model of a 300 ft container-ship, redesigned as a "poor man's" aircraft carrier.

The full-scale version of the runway system will be on show at this year's Farnborough Air Show in September.

The runway is a series of modified medium girder bridges, now used as standard equipment in NATO. Fairey won orders for £21m of bridges last year and said yesterday the scheme would be based on the new "ski jump" ramp used to ease take-off from heavily laden Harriers.

The "ski jump" is still under test at the Royal Aircraft Establishment, Bedford.

The six-man Chinese military mission is expected to stay about

two weeks and will be visiting British manufacturers after touring of the arms exhibition. The Chinese are expected to call at the EMI stand at the exhibition to see the Cybele light weight radar for mortar fire location in which they are very interested.

They are also understood to be visiting Plessey radar in the Isle of Wight and will want to see Marconi's field artillery computer equipment. On Thursday they are expected to attend the firepower demonstration at Bovington, Dorset, which will include a demonstration by the Hawker Harrier vertical take-off fighter in which the Chinese have already shown great interest.

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Lloyd's syndicate sues Oceanus

BY JOHN MOORE

OCEANUS MUTUAL Underwriting Association, a Bermuda-based insurance concern is being sued by a Lloyd's syndicate, number 65 (the H. G. Chester syndicate), for alleged breach of contract.

The writ was issued towards the end of last week by Mr. James William Bragg, who is sued by a Lloyd's syndicate, number 65 (the H. G. Chester syndicate), for alleged breach of contract.

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INTERNATIONAL SUMMER SCHOOL 1978

Financial Management for the Non-Financial Executive

LONDON JULY 10-21 1978

The increasing amount of accounting and financial management needed to run a modern successful business is placing great strains on middle and senior management not trained in accountancy. To meet this problem, the Financial Times and The City University Business School, of London, have arranged a two-week course entitled 'Financial Management for the Non-Financial Executive' to be held in London on July 10-21, 1978.

This course was first held in 1977 and attracted substantial support from Britain and abroad. The suggestions of tutors and course participants in 1977 have been taken fully into account in preparing this year's programme and the sponsors believe its value will have been increased still further.

The course will be headed by a former finance director of a major industrial company and a merchant banker, and the panel of 22 distinguished lecturers are drawn from universities, commerce, accountancy and banking. The participants will be divided into study groups of fifteen people headed by a group leader. The ten days of instruction are broken down into lectures, case studies and various group exercises so that the students take an active part in the programme.

Apart from being a thorough two-week programme of studies the Summer School also offers an authentic insight into the workings of the City of London and provides opportunities for making useful contacts with people and institutions.

The list of distinguished speakers includes:

- Mr N. Goodison Chairman, The Stock Exchange Council
- Mr A. W. John formerly Finance Director, Unigate Limited
- Mr S. R. Harding Director, Hill Samuel & Co Limited
- Mr R. T. Fox Director, Kleinwort, Benson Limited
- Mr R. T. Esam Head of Group Taxation and Corporate Structure Royal Dutch Shell Group of Companies
- Mr D. C. Hobson Senior Partner, Coopers & Lybrand
- Mr R. S. Napier Group Treasurer, Fisons Limited
- Mr R. C. Westmacott Assistant Director, Barclays Merchant Bank Limited

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UK chemical industry saving more energy

Financial Times Reporter

THE UK chemical industry has cut its total energy use per unit of output by 18 per cent since 1970, according to a report on energy statistics by the European Council of Chemical Manufacturers Federations which was published yesterday.

It shows that energy savings by the UK chemical industry, which generates 33 per cent of its own electricity from waste gases and other sources, were rather better than the EEC's average savings.

The report also shows that the chemical industry accounted for 18.8 per cent of total EEC energy consumption in 1976 compared with only 15.9 per cent in 1970.

It is suggested that the main reason for this is that chemicals output grew faster than total industrial production during the years 1970 to 1976. The UK's output has increased by 28 per cent over this period.

THE POSSIBILITY that Britain's sportsmen will be deprived of their television coverage of Wimbledon tennis, golf and cricket matches in coming weeks will draw attention to a dispute that has had little of that so far.

Others who have however already made aware of industrial action by the Post Office Engineering Union include thousands of telephone subscribers, many in the City, who have been waiting for their lines to be hooked up.

The dispute, which goes back seven years but which has grown rapidly in recent months, is about the union's claim for a 35-hour week.

It has several unusual features. First the POEU is about as moderate a union as can be found. Yet its leaders are witnessing an explosion of

the customer's demands could go up in smoke. This is quite apart from the possible disruption of the Post Office's rapid and extensive introduction of new technology in an expanding market.

Why have the 125,000 Post Office engineers turned so angry? The dispute has a long history, and rests on the fact that the engineers have always had longer standard hours than typists, cleaners—indeed all other grades. The latter are paid during their meal breaks and have, in effect,

Secondly, they feel they should be rewarded for past co-operation in substantial productivity gains to extract some benefit from the improvement. Pay policy has, of course, also contributed to the grievances of craftsmen for whom differentials are sacrosanct.

Thirdly, Mr. Stanley believes, the Post Office has simply failed to address itself to the industrial relations problems associated with rapid change in the nature of jobs, and failed to assure his members that jobs will not be lost as automation increases.

POEU leaders believe that the expanding market will help maintain jobs. The members, however, are not convinced.

This last point is unusually important in an industry where men are trained in skills that only one employer—the Post Office—can use. They go in

expecting to be there for life. More than that, they expect their sons to follow them in the business. Mr. Stanley himself is the third generation Post Office engineer, and he has a son working at the Post Office tower in London.

Pressed as they are from below, the union's leaders say that the demands made by the Post Office itself have, and are still, underestimating the strength of feeling.

If the Post office carries out its threat to send men home, the reaction will be enormous, they believe.

They also accuse the Post Office of turning down a union guarantee that shorter hours will lead to no loss of output and no increase in overtime working—a fundamental objection to any shorter hours claim.

Since last autumn, the engineers have been refusing to operate new telephone switching equipment where that enlarges capacity—hence the backlog of subscribers connections. Now that is to be tightened to include military telecommunications and marketing projects, and all fields in which new equipment is introduced.

Secondly, branches have been asked to put up ideas for further industrial action. If members are sent home, there will be local overtime bans or stoppages of work and the national executive will consider national stoppages for fixed periods.

Meanwhile the executive may authorise action—the national Giro and other places where money is distributed.

Where action could be a matter of life or death, the executive would ask engineers to do the work but not seek payment for it. Lastly, from the beginning of next month—by which time the McCarthy Report could be completed—the engineers will refuse to stand in for engineering management grades, and refuse promotion to that grade.

Pay rows in NHS growing

By Pauline Clark, Labour Staff

UNION DISSATISFACTION over pay in the Health Service was underlined yesterday as the 211,000-strong Confederation of Health Service Employees (COHSE) called for a minimum basic wage of £80 a week and Britain's 5,000 hospital electricians began a work-to-rule in spite of a new productivity offer.

The hospital electricians, represented by the Electrical and Plumbing Trades Union, called off their plans for selective strike action last Friday after accepting new pay proposals as a "step towards negotiation."

They are seeking a £70 wage. However, the union's executive council has yet to decide whether to call off the overtime bans and other industrial action which hit hospitals throughout the country yesterday.

The executive is expected to make a statement today after receiving details of the new productivity proposals.

At the COHSE annual conference in Scarborough, delegates voted overwhelmingly in favour of a national executive motion which "deplores the continuing low rates of pay of staff in the health and social services."

It called for a minimum basic wage of £80 a week to be sought during the 1978-79 pay round.

Meanwhile, a walkout by electricians over pay parity with private industry disrupted services at the Charing Cross Hospital, in London yesterday.

A bid to resolve a dispute at Greenwich District Hospital, over the sacking of a sister, failed after talks between staff and hospital management reached stalemate.

ICI starts to close ethylene cracker

BY OUR LABOUR STAFF

Imperial Chemical Industries yesterday began to shut down the smaller of its two ethylene plants at Wilton, Teesside.

It said that it had been forced into closing the Olefine 4 cracker and possibly other plants because of a shortage of instrument artificers.

It has been in dispute with

manual unions over the training of fitters and electricians to be artificers.

ICI, in close touch with the Department of Employment last week, said its intentions, said that the shutdown would take about two days.

Between 200 and 300 jobs are expected to be in jeopardy over the next six weeks.

Engineering employers attack cut in hours

BY PHILIP BASSETT

THE TRADE UNION target of a rise in unemployment, a shorter working week was attacked yesterday by the Engineering Employers' Federation. The Federation is a major member of the CBI, which will tell the Chancellor today that any reduction in the working week is unacceptable.

Mr. Anthony Frodsham, director-general of the Federation, said that a shorter working week would add to costs, reduce productivity, and so on.

He said that a shorter working week would be likely to be very damaging, particularly at a time when British industry was still not competitive enough.

WELSH trade unionists have effectively abandoned a plan to take over British Steel's Redpath Dorman Long subsidiary in South Wales as a workers co-operative.

The formation of a co-operative was suggested by the Wales TUC as a last-ditch scheme to save the jobs of 300 men at Redpath's Treorchy plant in the Rhondda Valley, where unem-

ployment is running at 16.5 per cent. Redpath is to close the works, which makes structural steel in September, because of the depressed state of the construction industry.

But after discussions with the management, the unions at the plant have accepted that their resistance to closure has been seriously inhibiting efforts to find alternative jobs for those affected.

Crossed lines at Post Office

NEWS ANALYSIS
POEU DISPUTE
BY CHRISTIAN TYLER

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Transport workers back pay offer to builders

By Nick Garnett, Labour Staff

THE Transport and General Workers' Union extricated itself from its difficulties over this year's pay and conditions offer for the construction industry when lay delegates voted yesterday to accept the deal.

The same lay delegates on the union's joint construction and craft committees last month rejected the offer, in defiance of their negotiators' advice and in opposition to the Union of Construction Allied Trades and Technicians, the largest covered by the agreement, which had voted for the deal.

The Transport Workers subsequently found that few regions were willing to take industrial action, planned for this month, and UGAT's annual conference later stood firm on accepting the deal.

The joint union side of the construction industry is to discuss the situation today before meeting employers on the National Joint Council for the Building Industry.

Earnings

Although the two smaller unions covered by the national agreement, the General and Municipal Workers, and the Furniture, Timber and Allied Trades, have also been unwilling to accept the offer, the Transport Workers' vote yesterday will ensure that the deal is concluded.

The settlement, which will run from June 26, will raise craftsmen's total minimum earnings from £34.60 to £50.20 and labourers' from £27.70 to £32. It affects about 500,000 workers.

The Transport Workers said they had voted who voted reluctantly 23 to 5 for the deal, had done so in the light of existing circumstances and "in order to avoid disunity resulting from decisions taken by other unions which could result in confrontation on the picket lines."

Shop stewards threaten to quit union

By Arthur Smith, Midlands Correspondent

SHOP STEWARDS representing Midlands oil industry workers have threatened to pull out of the Transport and General Workers' Union unless a "whitchunt" against Mr. Alan Law, regional secretary of the commercial transport drivers, is halted.

They are protesting at the call by drivers in another branch for a national inquiry into allegations of irregularities in a ballot involving Mr. Law.

The drivers are organising a petition of support for Mr. Law.

Higher TUC fees sought

PROPOSALS for a 25 per cent increase in TUC affiliation fees are to be considered by the General Council soon.

The plan, if approved, will go before Congress for endorsement in September. It would add about £50,000 by 1980 to the present affiliation income of £2.5m.

You're OK- OK care about me

It's Mental Handicap Week this week, and we'd like to ask you to spare just a few minutes to think about the problems facing mentally handicapped people and their families.

We do all we can to help the one child in every hundred who is born with a mental handicap, but we are totally dependent on voluntary contributions. Could you help?

NAME _____
ADDRESS _____
I enclose £ _____ Please send receipt ☐

National Society for Mentally Handicapped Children, Penbridge Hall, Penbridge Square, London W2 4EP
Scottish Society for the Mentally Handicapped, 60 West Regent Street, Glasgow G2 2AN

MENTAL HANDICAP WEEK - JUNE 18-24

Pay restraint vital 'to curb inflation' Net external liabilities increase to £2.4 bn

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

A "VERY marked and distinct line with productivity in the fall" in the rate of increase in wages in the coming year is needed if the improvement in the rate of price inflation is to be maintained, says the latest quarterly bulletin from the Bank of England.

The bulletin, published this summer, pays particular attention to the inflation rate, as did Mr. Gordon Richardson, the Governor of the Bank, in his Bernese speech last week.

The Bank says that the 12-month rise in retail prices may stand at about 8 per cent for the rest of this year, with small fluctuations.

This is in line with the recent statement by Mr. Roy Hattersley, the Prices Secretary, about inflation prospects, though the Bank puts it more heavily.

The bulletin notes that fears of a new acceleration in wage inflation have caused market uncertainties. "Such a development is not impossible and the fear of its occurring cannot be demonstrated to be unreasonable."

Moderate claims

The Bank notes that "very considerable progress" has been made. "The rate of inflation in this country is now almost in line with the average among the UK's competitors."

However, success in other countries are now likely to give renewed priority to containing inflation. This year's increase in earnings, though in some respects moderate, is still quite large—and is resulting in a clearly abnormal increase in real incomes.

It is estimated that real average earnings rose by 5½ per cent during the first eight months of the present pay round, with a further rise likely during the remaining months.

Real average employment incomes moved more or less in

last year, under the influence of cuts and earnings increases well above the growth in prices. The signs are that consumption will continue to rise fairly strongly.

The savings ratio was likely to have fallen only slightly in the first quarter from the earlier record level of 16.2 per cent.

"Any reduction in the savings ratio from its present very high level would add to the growth of consumption; however, it seems quite likely that individuals will take the opportunity to rebuild their stocks of liquid assets which, in real terms, have been depleted during the past five years."

"Taking all these factors into account, there is the prospect of a rise in consumer spending of perhaps 5 to 6 per cent during 1978."

"Whether the present recovery of demand can be sustained depends in large part of whether there is a response of domestic output to the undoubtedly rapid growth in consumer spending that is occurring this year."

In the past, such an expansion has tended to be frustrated by the tendency for most of the increase in demand to be met from imports, and for domestic production to respond only slowly.

If expansion is to proceed successfully, financial confidence needed to be maintained.

There is a lengthy discussion of the reasons for the change of mood in financial markets this year. The Bank identifies the poor trade figures for the first quarter, the periods of pressure on the exchange rate associated with the strengthening of the dollar, some aspects of the budget proposals, the growth of sterling M3 towards the end of the last financial year and underlying doubts about the future course of inflation.

The pace of monetary expansion must, in general, affect the exchange rate.

"But, in spite of research efforts in the Bank and elsewhere, it is hard to establish a close-knit relationship between

DCE AND THE MONEY STOCK M.
£ millions: seasonally adjusted; mid month

	Apr. 77	Jul. 77	Oct. 77	Jan. 78	Apr. 78
Central government borrowing requirement	+4,603	+1,069	+88	+1,577	+1,869
Net purchases (-) of central government debt by non-bank private sector	-6,765	-1,694	-2,304	-1,719	-1,048
Other public sector	+1,297	+247	+876	+35	+409
Bank lending to:					
UK private sector	+4,087	+969	+1,259	+726	+1,133
Overseas	+1,226	+158	+208	+225	+435
Domestic credit expansion	+4,448	+749	+73	+774	+2,998
External foreign currency finance (increase-)	+2,740	+820	+1,523	+693	+296
Other	-592	-549	-126	-278	-195
Percentage change in sterling m	+16.4	+2.5	+3.2	+4.1	+5.7
Percentage change in m	+4.53	+8.4	+1.470	+1.75	+1.006
	+23.6	+4.6	+7.3	+5.5	+4.4

* Other public sector borrowing requirement, less purchases of other public sector debt by the private sector (other than banks).

† Including commercial bills held by the Issue Department of the Bank of England.

ESTIMATED DEPLOYMENT OF OIL EXPORTERS' SURPLUSES

The total surplus in the first quarter was significantly lower than in the fourth quarter of 1977.

£ billions

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A bumpy ride on the road to efficient licensing

A MOTORIST went to prison recently rather than pay a small fine for failing to produce his driving licence to the police. He told the Court that his application to renew his licence had been "lost" within the Driver and Vehicle Licensing Centre in Swansea.

However, subsequent investigation at the 16-storey purpose-built licensing complex in South Wales revealed that the motorist had not made his application for a licence until after he was picked up by the police.

The motorist had tried to use the fast-growing weapon against driving violations: the so-called "Swansea Defence." This tries to put the blame for any offence involving car registration or driver licensing firmly in the lap of the Swansea computer. Although in this particular case the Court was not impressed with the "Swansea Defence," the motorist's allegations received widespread publicity.

Since it was opened just over five years ago, the Swansea Centre has been the subject of many such stories. They range from a child of six being sent a licence reminder to a man whose driving licence number turned out to be the post code of his address. In more serious vein, bus drivers and others who rely on a driving licence for their work have allegedly been suspended from their jobs because their licences have been held up at Swansea. In one such case, a judge went so far as to brand the computer a "monster."

It is no surprise that such apparent bureaucratic bungling has been latched onto with glee by Conservative MPs. Mrs. Sally Oppenheim, MP, a Tory front-bench spokesman, is currently compiling a dossier of alleged delays. Other MPs—the latest is Mr. Patrick Cormack, Tory MP for Staffordshire South-West—are also putting pressure on the Department of Transport to hold a full-scale inquiry into the Centre.

They are little mollified by Mr. William Rodgers, Transport Secretary, recently giving the Centre a clean bill of health after visiting the complex.

Yet critics of the Centre have an unlikely ally in their demand for an independent inquiry. During the 1980s there was a 50 per cent increase in the number of union which represents most increase in the number of drivers and a 60 per cent increase in the number of vehicles. There are about 225m

strongly attacked the Centre's top officials for poor management leading to a sharp slump in staff morale.

"The most shattering aspect," the union says, "is that much of the responsibility for the Centre's failings lies at our own doorstep, and in particular at the senior level where decisions are finally made."

The union lists a whole catalogue of bad decisions by senior management and says that its members have nothing to fear from an outside inquiry.

These latest allegations of lengthy delays and costly errors are not the only problems the Centre has faced in its short history. It started off on the wrong foot by costing more and taking longer to become operational than expected—problems that received a sharp rebuke from the powerful Commons Public Accounts Committee.

Then in 1976, the Government was on the verge of shutting down that part of the centre responsible for motor taxation in order to reduce Civil Service manpower.

Eventually it decided against this—but last year the Centre was again in the news when staff refused to handle the so-called "cherished" transfers of personal number plates.

And the centre is currently repaying up to £1m to almost 100,000 motorists who may have been misled last year over the terms of the rise in vehicle excise licences. This followed an Ombudsman's decision that three people were misled at the time.

In one sense, however, the Swansea Centre was a victim of circumstances. It was conceived during the 1960s when the "big is better" philosophy was rampant. The 1965 Walter Report recommended that driver and vehicle licensing should have "a central office, of considerable size, with a large automatic data processing system."

This was to replace the previous system under which driver and vehicle licensing was carried out by 183 local offices.

They fed into a special machine which "reads" the printed characters and converts them directly on to magnetic tape.

The new information on tape is then fed into the Centre's existing records. A new master record, consisting of 250 reels

commercial and private drivers and 19m cars at present in the UK, compared with 5.4m drivers and 4.1m cars in 1949. The number of cars being licensed is growing at the rate of 1.5 per cent a year.

As part of Government re-licensing policy, Swansea was chosen as the home for the new computerised records and administration of driver and vehicle licensing. The complex, with its 5,500 staff, spans some 25 acres on a site about five miles from the town centre. But even this mammoth accommodation is not enough; the Centre has been forced to spill over into other offices in the

middle of Swansea. While the Swansea computer now holds all records of vehicles and drivers in the UK, the renewal of vehicle licences is carried out either at Post Office branches or at 81 special vehicle licensing offices throughout the country. These offices also licence new vehicles and issue registration numbers.

But all the work on driving licences is carried out at Swansea. The Centre gets about 1m items of mail every day—more than twice the rest of Swansea's private and business mail put together.

Licence applications are checked for obvious errors—about 5 per cent are immediately returned for correction. All documents are then microfilm—it would be impossible to store records—and the microfilm retrieval area is the largest of its kind in Europe.

As something like 100m transactions are made a year—the Centre deals with 25m applications from individual drivers and issues more than 45m driving licences—staff carry out comprehensive checks to try to reduce the number of errors. Data is often keyed twice into mini-computers to check for discrepancies.

Routine data processing, such as licence renewal reminders, is sent out, do not have to be laboriously keyed into computers. Instead the data is run by local authorities. They fed into a special machine which "reads" the printed characters and converts them directly on to magnetic tape.

The new information on tape is then fed into the Centre's existing records. A new master record, consisting of 250 reels

of tape, is produced each night. The computer automatically prepares tapes of documents to be printed and these are then run through high speed printing machines. Up to 5m items of mail are sent out each month by the Centre.

With a daily computer check on all the Centre's records—to try to ensure that no renewal reminder, for example, is missed—some 45m driver and vehicle records are processed each night. It is not surprising therefore that some errors occur.

The most frustrating type of error is that which leads to lengthy delays in the system. Some 95 per cent of applications are dealt with inside 10 working days and about 98 per cent within 12 working days. But when weekends and public holidays are added to this, the average response is three weeks and often four.

The Centre's operating target is around a 95 per cent response within ten working days—so its present level of 98 per cent is hardly bad enough to warrant the abuse heaped upon it. And it is estimated that only one really serious mistake leading to long delays is made in about every 100,000 cases.

Motorists who have a complaint or want some information clarified are able to ring or write to the Centre. About 7,000 inquiries a day are received—about four out of every ten are complaints—and these are dealt with by over 400 staff.

This inquiry system has been one of the more successful examples of managerial initiative at the Centre. But, according to the union representing middle managers (the SCPS), the overall record of senior management at the centre has been less impressive.

One of the union criticisms focuses on the running of the Centre. It is the general problem of finding and keeping the right calibre of computer staff. Civil Service salaries for computing staff are about £1,000 below the current market rate and the demand for qualified staff in the private sector far exceeds the supply. It is even more difficult to attract top computer personnel to move to Swansea.

Such problems are well known to the Centre's top management and a recent Civil Service personnel director agreed that there were personnel difficulties in the Public Servants (SCPS), has

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To meet an 'impossible' programme on one of our contracts we built floors upwards and basements downwards at the same time.

For a new department store we used a few large piles in the foundations instead of several dozen small ones and opened it in time for Christmas instead of the following February.

We are doing this sort of thing all the time. It's partly technical ability; but mainly it comes down to being professional. We are not easily taken by surprise, and nor do we allow our clients to be: with us you will always know where you stand on costs, completion date and quality.

To prove it, we have an impressive array of awards, and the fact that 75% of our business comes from people we've worked for over and over again.

If you would like to take us up on any of this, ring Harvey Davis on 01-422 3488; he'll be glad to go into details. Or send the coupon.

1968-1978 Ten years to make a name in banking.

Ten years which have made the Alahli Bank of Kuwait one of the best known names among Kuwaiti Commercial Banks.

Ten years which have given the opportunity to the Alahli Bank of Kuwait to be renowned for the quality of its services to international contractors operating in Kuwait.

Ten years which have given the opportunity to the Alahli Bank of Kuwait to become the best known commercial bank name in the Middle-East in the field of underwriting of Eurobond issues.

Ten years of progress building the Bank which is always trying to serve you better in the Middle-East, the Alahli Bank of Kuwait.

Main balance-sheet figures

	End 1976	End 1977
Year of operation	1	10
Capital	2,000	5,000
Capital & Reserves	2,148	4,085
Deposits	50,211	86,754
Advances	28,741	38,851
Correspondents	28,703	42,149
Total Balance-sheet	78,222	133,238
Net profit	322	608

Figures in thousands of Kuwaiti Dinars
1KD = 280 U.S. \$ end 1976 - 1KD = 3. - U.S. \$ end 1977
1KD = 3.57 U.S. \$ end 1977



Alahli Bank of Kuwait

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When you consider that more than half of the biggest U.S. industrials do business with Marine Midland, you get a good picture of how big we are.

In fact, our deposits total \$10.2 billion, with \$2.3 billion in personal savings. We've got \$638 million in capital and reserves, and assets totaling \$12.1 billion.

As much as these numbers tell you, they don't say we've been a major money center bank for many years. Which means we've got enough experience in foreign exchange and foreign currency management to generate major money transactions. To provide direct

loans. And manage major international credits. We can also assist in generating funds in other capital markets, through our associates.

Of course, Marine Midland has the facilities to carry this out. With our base of international operations in New York City's financial district, we have 300 branches throughout the state, and key people in 22 of the world's major financial centers.

Some people may not expect all this from us. But after all, Marine Midland is the 12th largest bank in the United States.

MARINE MIDLAND BANK All figures as of December 31, 1977.

PARLIAMENT AND POLITICS

Minister looks for action on Japan trade surplus

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

COMPLAINTS ABOUT the high level of Japanese exports to the UK, coupled with demands for protectionist measures to defend British industry, were made during questions to Mr. Edmund Dell, Trade Secretary, in the Commons yesterday.

The issue was raised on the eve of trade talks between Japan and the EEC Commission which are due tomorrow and on Thursday. The matter will also be discussed at the Bonn summit meeting in July.

Mr. Dell told MPs that the bilateral trade balance with Japan and the size of Japan's balance of payments surplus with the world were not satisfactory. Mr. Dell said that the Government proposed to do more to encourage Japanese investment in Britain, particularly in view of recent suggestions from the Japanese Government that they would be eager to do so.

Mr. Dell agreed that the Japanese wanted to step up their investment to Europe, then there was considerable advantage in their cash coming to this country.

Mr. Tom Litterick (Lab, Selby Oak) pointed out that a recent

report had warned that the import of foreign machine tools was increasing rapidly. He was also worried about the assembly of Japanese machine tools in this country.

Mr. Dell told him that Britain had informed the Japanese that their trade surplus with this country and the world ought to be brought down. They had shown a recognition of this in the statements they had made, and we were now waiting for evidence that they intended to translate this into action.

Mr. Roger Sims (C, Chislehurst) said that the Japanese Government had announced its intention to increase imports from this country and other parts of the world. The Trade Secretary replied that he had seen the statement about the Japanese emergency import programme.

But he added: "I don't think it will do very much for the working of the world economy if it takes the form of a large increase in oil imports. What we wish to see is larger imports of manufactured goods by the Japanese."

But Mr. John Nott, Tory spokesman on trade, maintained



Mr. Dell... waiting for evidence.

that in the last resort, world trade was multilateral. So if the Japanese were importing more oil, it would eventually benefit the world trading community, including Britain.

Mr. Dell disagreed and said

that it would result in a higher OPEC surplus. This could not benefit world trade. Trade was not purely multilateral because, unfortunately, there were many restrictions on its free movement.

Mr. Max Madden (Lab, Sowerby) stated that in virtually every sector of industry, there had been an increase in important penetration. Sooner rather than later, we needed to introduce selective import controls if we were to defend jobs in British industry.

Mr. Michael Meacher, Under-Secretary for Trade, told the House that in the year ended June, 1977, the latest figures available, import penetration for all manufactured goods into the U.K. rose by 25 per cent.

But in many individual sectors of industry, there had been no increase in import penetration. We had to allow more time to see how far the Government's industrial strategy would reduce import penetration. Substantial areas were already covered by selective import controls and the Government was prepared to extend these where British industry was being distorted by imports.

New finance plan for Navy yards dropped

By Ivor Owen, Parliamentary Staff

PROPOSALS FOR introducing a new financial regime for the Royal Dockyards, with their operations conducted on the same basis as other State trading organisations have been dropped by the Government.

Mr. Pat Duffy, Under-Secretary for the Royal Navy, told the Commons last night that the idea of placing the four home yards—Portsmouth, Devonport, Chatham and Rosyth—under a Government trading fund would not be proceeded with.

The proposals have been under consideration for some time and would have meant the dockyards producing accounts on a profit and loss basis with their finance coming from a trading fund instead of being provided by Parliament as part of the Royal Navy vote.

It is believed that the proposals have been strongly resisted by professional naval opinion and also at trade union level on the grounds that the operations of the dockyards—above all, the prime need to have spare capacity available to meet unscheduled demands from the fleet—do not easily lend themselves to normal commercial accounting procedures.

Mr. Duffy told MPs that in the Government's view, the advantages of establishing a Government trading fund for the dockyards were at best indiscernible, while, on the other hand, there were readily discernible disadvantages. It had been decided that the idea should not be further pursued.

But he assured the House that the decision did not, in any way, detract from the Government's determination to improve the performance of the dockyards.

Consideration was being given to a suggestion that, like other nationalised industries, they should be given performance indicators.

Mr. Duffy disclosed that the Ministry of Defence is considering the possibility of purchasing a new helicopter capable of lifting the 105 mm light gun as a single load. At present, this weapon has to be split in two when carried by the helicopters now in service.

Mr. Patrick Wall, a Conservative spokesman on naval affairs, suggested that the Government should acquire deep sea trawlers to replace a fleet of fisheries dispute within the EEC for use as auxiliary minesweepers.

'Genuine' deals on productivity

ALL PRODUCTIVITY agreements so far monitored by the Department of Employment have turned out to be genuine, Mr. Harold Walker, Minister of State for Employment, told the Commons last night.

In a written reply, Mr. Walker said: "My Department carries out inquiries into the operation of firms' productivity schemes. So far, these have not established any cases of failure to satisfy the self-financing criteria but the monitoring programme will continue."

EEC trade mark plans

THE EEC Commission does not expect to put proposals for the creation of a European Community trade-mark office to the Council of Ministers before spring, 1980, Mr. Clinton Davis, Trade Under-Secretary, told the Commons in a written reply.

He said a second draft regulation on a Community trade-mark was now in preparation and would be considered by a working group established by the Commission.

Tory peer wants 'more money in workers' pockets'

MORE MONEY must be put into the hands of working people and their families, Lord Gowrie, of the Tories, said in the Lords yesterday.

He was speaking in a debate on the need to encourage enterprise and innovation in order to stimulate industrial growth.

Lord Gowrie said that the Government, in its efforts to beat inflation through wage control and its special relationship with trade union leaders, had no coherent programme to stimulate growth.

Substantially more money must be put into the hands of working people and their families and it must be made substantially more worthwhile to increase productivity and the international competitiveness of our goods.

"The instrument of such a strategy is a relative shift from direct to indirect taxation." But this could not be done at a stroke, he said.

Opening the debate Lord Baker (Ind) said more and better-trained engineers were needed if Britain's industrial problems were to be solved. He called for improvements in engineering training and in engineers' pay and conditions.

An engineer himself and a Fellow of the Royal Society, Lord Baker said the engineer was the least mercenary member of our society.

We could not be confident of our economic well-being until a high proportion of the brightest children from all families aimed for a career in engineering.

For the Liberals, Baroness Seear warned that to deal with short term problems we continued to take measures which made long term recovery more difficult. "Nothing is more inflationary than hacking failure, pouring money into enterprises in which there is no value added."

Those who innovated must be allowed to reap the benefits of their success. But we had a tax system which made it almost impossible to do this.

Viccount Caldecote (C) said industry had been criticised for lack of investment in new plant and equipment. Although she claimed last night that it was just a "re-allocation of duties," Mr. Sidney Bidwell, Labour MP for Southall, said that the move followed complaints that Dr. Summerskill had not shown the "compassionate consideration" on immigration cases of her predecessor, Mr. Alex Lyon.

MPs learnt of the change when they phoned Dr. Summerskill and were told that immigration problems were now being handled by Mr. Brynmor John, Minister of State, in charge of race relations.

Lord Thomas (C) said: "The differential between the amount of money to be earned by working and the allowances to be obtained by not working is far too narrow."

Lord Seebom (Ind) said that while the General Council of the TUC was screaming for more investment, "lower down" was not allowed unless its special relationship with trade union leaders, had no stant.

Lord Balogh (Lab) said there was a need for a permanent incomes policy, coupled with by the trade unions, and for an increase in productivity. There was a grave danger of wasting the benefits from North Sea oil and gas on a continuing imports spree.

Lord Sheffield said the Government could only set the stage for a favourable industrial climate. This could not be done at a stroke, he said.

Lord Hewlett (C) said that as an industrialist he was getting "a lot" of encouragement to risk any more capital. The present rates of taxation were a ridiculous disincentive.

Goods vehicle test fees up

MR. WILLIAM RODGERS, Transport Secretary, laid before Parliament regulations to increase from July 1 the fees for first examinations, periodical tests and re-tests of goods vehicles at the Department's heavy goods vehicle testing stations.

Mr. Norman Tebbit (C, Chingford) wondered whether it was Government policy to refuse export licences for aero-engines to anti-democratic regimes which had overthrown power through revolution.

"If so, there will be an awful shortage of jobs in the aero-engine industry," he said.

Mr. Dell replied that the Government had not refused the application for an export licence.

Mr. Eric Heffer (Lab., Walton) said that because of the undemocratic nature of the Pinochet regime in Chile, which was "basically Fascist" because it overthrew a democratic Government, "we are perfectly happy with the action of the workers."

Mr. Dell replied: "The Government, as well as the workers, have to obey the law in this country."

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Pardoe launches fierce attack on Thatcher's Ulster visit

BY RICHARD EVANS, LOBBY EDITOR

MRS. THATCHER'S three-day visit to Northern Ireland sparked off a slanging match yesterday with the Liberals over the political purpose of the tour.

Mr. John Pardoe, Liberal economic spokesman called it "the most despicable visit by a British politician since Chamberlain's last trip to Munich," and accused the Tory leader of deliberately seeking Unionist votes in order to obtain a majority at the next general election.

From Westminster, one of the main purposes of her tour is seen as cementing the improving relations between the Conservative Party and the Ulster Unionists. In the event of another hung Parliament this relationship could prove crucial.

Mrs. Thatcher has little in common with, or sympathy for, either the Liberals or the Nationalist parties. The Ulster Unionists are the only other minority party expected to retain some seats after the election.

Her emphasis is on "overriding common purpose" shared by the Tories and the Ulster Unionists—the maintenance of the union—and her scornful references to fashionable talk of a federal Ireland, are both aimed at attracting the approval of the Unionists.

But Mr. Pardoe claimed that the Tory leader was in Ulster "to forge an electoral alliance with the representatives of religious bigotry."

He said that Mrs. Thatcher had decided she would need the votes of the Ulster Unionists, who in their neglect of minority interests for the last 50 years had brought Northern Ireland to a state of civil war, in order to obtain a majority at the next election.

Our Belfast Correspondent writes: Mrs. Thatcher yesterday pledged that the Conservatives, if returned to power, would reform

the local government structure in Ulster.

Addressing Ulster Unionists during her visit, she indicated that Tory thinking favoured one or more directly elected regional councils with a wide range of powers.

There will be scope for all political parties to participate in these new institutions," she said. But the Conservative Party would not consider any plans for Ulster's political future which could result in the weakening of the union with Britain.

The Conservative leader's promise was welcomed by the Official Unionist Party which has been strongly urging the introduction of an upper tier of local government.

Mrs. Thatcher said the Conservatives recognised that the Government would have to go on providing substantial assistance to Ulster industry.

In the last two years, however, industrialists at home and abroad have been demonstrating their confidence in the future of the local economy and investment in new enterprises had started to revive, she said.

"If we are to halt and then to reverse the years of our economic decline, fundamental changes of policy and of attitude are required at almost every level. This is as true of Northern Ireland as it is of the UK as a whole."

She was concerned particularly to see a strong revival in small businesses in Ulster.

Mrs. Thatcher also visited the Belfast textile engineers, James Mackie and Sons—one of the first firms to go on the Government's black list for exceeding pay guidelines.

After touring the plant in West Belfast and talking to workers, the Tory leader had brief discussions with the company's directors.

Although these centred on the firm's export achievements,

sources in the company said there was no direct mention of the Government's sanctions or their effects on Mackie's overseas sales.

Late last year, the Government ordered that export credit guarantees be withheld from Mackie's because it refused to renegotiate a pay deal which gave its 4,000 workers rises of up to 23 per cent.

Davis offers little hope on unit trust charges

BY JOHN HUNT

LITTLE HOPE of an increase in the maximum permitted level of unit trust management charges was held out yesterday by Mr. Stanley Clinton Davis, Under-Secretary for Trade.

Answering questions in the Commons, he recalled that in March he had told the Unit Trusts Association that he was unable to accept its case for an increase in fees. Since then, the association had made further representations to him.

Mr. Davis (C, Leek) complained that unit trust management fees had effectively remained at a level which was

fixed 26 years ago. "Charges are now so low that it is becoming increasingly uneconomic for unit trusts to look after small shareholdings," he declared. "As a result, some unit trusts are ceasing to cater for the small saver."

Mr. Davis replied that evidence in his possession did not confirm these allegations but suggested that reasonable profits were made between 1970 and 1976.

"I don't see that the decision I have made is in any way unfair. But I will consider carefully the further representations that have been made," he declared.

Newsagents talks urged

MORE THAN 1,000 retail newsagents had been forced out of business by "wild cat" industrial stoppages in the newspaper industry during the past year, Mr. Jonathan Aitken (C, Thanet E.) claimed in the Commons yesterday.

He said that the disputes had caused the loss of more than 90m copies of national newspapers.

Mr. Aitken called on the Government to arrange a meeting with the newsagents and the Fleet Street unions to try to

solve the problem which was having a disastrous consequence in terms of loss of jobs and small businesses.

Mr. Michael Meacher, Trade Under-Secretary, questioned the extent to which Fleet Street disputes were responsible for bankruptcies among newsagents.

Ultimately, it was for the managements and unions concerned to solve any problems. But the Government would be happy to have a meeting with newsagents.

These would involve children "whose level of limb deficiency is in the middle-third of the forearm, and who are between the ages of 31 and 44." When experience had been gained, it might be possible to extend the trial to other children.

If the trial established worthwhile long-term benefits for children, the hand would be made generally available.

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OBITUARY

Sir Dingle Foot

BY PHILIP RAWSTORNE

SIR DINGLE FOOT, former Labour Solicitor-General, who established an international reputation as a civil rights lawyer, has died during a visit to Hong Kong.

Sir Dingle, 73, was the elder brother of Mr. Michael Foot, leader of the Commons, of Lord Caradon, former Governor of Cyprus and Ambassador to the UN and of Lord Foot, the Liberal peer and chairman of the UK immigrants advisory service.

The son of a Liberal politician, Isaac Foot, he was educated at Balliol College, Oxford, where he became President of the Union.

He took up law and was admitted to the Bar in 1930, becoming a QC in 1935. By 1970, he had become a member of the Bar or roll of legal practitioners in 11 countries.

Sir Dingle fought many major legal battles in the Commonwealth countries of Africa and the Far East and was engaged in a court case in Hong Kong at the time of his death.

He entered politics as a Liberal, unsuccessfully contesting Tiverton, Devon, in 1929, before being elected for Dundee in 1931.

During Churchill's wartime Government, he was appointed Parliamentary Secretary to the Ministry of Economic Warfare and played an important part in persuading neutral countries to curtail trade with Germany.

He was a member of the British delegation to the San Francisco conference which set up the United Nations.

Sir Dingle lost his Commons seat in the 1945 election and two attempts to secure North Cornwall for the Liberals in 1950 and 1951 failed.

Five years later, he joined the Labour Party after disagreeing with the Liberals' decision to give general support to the Conservative Government.

Sir Dingle won Ipswich for



Sir Dingle, a former Labour Solicitor-General

Labour in 1957 and held the seat until 1970 when he retired from Westminster after being defeated in the General Election by 13 votes.

He was knighted in 1964 when Sir Harold Wilson appointed him Solicitor-General in the Labour Government, a post he held until 1967.

Mr. Peter Archer, the present Solicitor-General, said yesterday that Sir Dingle was responsible for a great deal of the goodwill towards Britain.

"He enriched the lives of all who knew him. He had a great knowledge of political history and a great sense of fun."

Mr. Ken Weech, Labour MP for Ipswich, said: "Sir Dingle was an internationalist in every sense of the word and brought one of the most distinguished legal reputations to politics."

Marry us to Mrs Castle

Mrs Castle's new state pension scheme goes so far, but is that far enough?

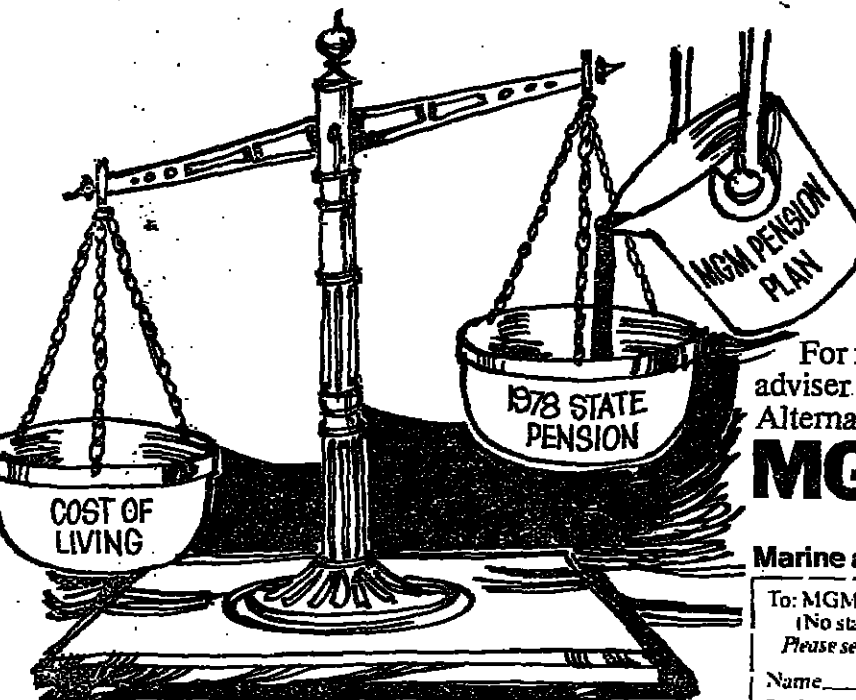
For most directors and higher paid employees, the answer is no.

Because the state scheme does not currently provide tax-free cash in hand at retirement, nor full security for your family if you should die before retirement—important points when you look at the escalating cost of living.

The solution to your problems could be MGM's 'Design for Retirement'.

MGM's plan enables you to build on the foundations of the state scheme—or your own private scheme—and create a tax-efficient package of fringe benefits for you and your employees.

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FT10

How electronics pose two-way test of honesty

BY MICHAEL DIXON

IT COMES in a spruce pigskin case measuring about three feet by two feet by nine inches, and weighing some 25 lb. You could buy it for around £4,000.

It is evidently the latest word in lie detectors. And Communication Control Systems of the U.S., which is to introduce the Voice Stress Analyzer to the British market at a London seminar next Tuesday, expects it to find growing use not only in criminal investigations, but also in more normal inquiries including job interviews.

The new machine does not have to be wired to the person being tested, as do the earlier devices which rely on physiological factors such as skin reaction to measure a human being's relative agitation when answering particular questions.

All you do is record the person's replies, either directly on the VSA or on a standard cassette tape recorder for analysis later.

No, do you need a trained specialist to interpret the machine's judgments. A normally intelligent person can apparently learn in a single day to operate the VSA, which throws up a running commentary of its findings on a built-in display and at the touch of a button prints any required reading on a paper tape for subsequent study.

When I went to see the device

the other day, I was looking forward to taking it on. My only doubt was whether, if I managed to deceive it, I would be wise to tell anybody.

But Communication Control Systems declined to give me a personal trial. The reason, they said, was that "this is not a toy."

Correct use should ideally start with a pre-test interview designed to assuage any incidental causes of stress which might affect the subject's answers to the interviewer's inquiries. Then the subject should be handed a written list of the questions to be asked, for study before they are posed verbally and recorded along with the verbal replies for the analysis.

Stress

The idea is that the subject will see beforehand when there are questions which he or she will be anxious about answering. By the time these are put verbally, the person will have built up considerable stress about them.

This stress will be reflected, the theory goes, by a change in the subject's voice at the extreme range of tone which, like normal breathing, is governed by the part of the nervous system over which a person has no voluntary control.

The change, although inaudible to human beings, is detected and measured by the electronic VSA.

It makes the measurement against a standard which is set for each subject by first asking control questions—like "is your name Nathan Leatherbarrow?"—and adjusting the device so that it measures the necessarily truthful answers within a low range of scores, say 15 to 35, on the digital display. Then when the questioning becomes investigatory, the stress which Communication Control Systems believes is associated with lying will be shown by a markedly higher reading of, say, 35 upwards.

Given that the list of questions will test the same point in several ways, the company says that consistently high readings for answers on that point may be taken as at least prima facie evidence that the subject is lying about it.

Now, I have shown the foregoing description of the VSA to three other people. In every case their initial reaction was much the same as my own. They felt it would be wrong to use such a device in everyday procedures such as job interviews. But they were unable, immediately to say why.

After all, one can hardly object on simple moral grounds to people's having an electronically sharpened judgment

of whether or not they are being told the truth.

Unlike my three colleagues, however, I have had a day or two to think about the matter, and feel that I can now justify my misgivings.

Let it be clear right away that I have no doubt that the machine has been researched, developed, manufactured and marketed in all good faith by the expert staff of Communication Control Systems. But there is a crucial difference between the experts who produce such a device, and the lay men and women who may use it in practice.

When decisions are to be made about other human beings, I think that nobody should rely on the judgments of a machine without first knowing beyond reasonable doubt why the machine is reliable. That implies understanding of the pros and cons of the electronic and behavioural theories on which the VSA is based.

The fact that irrefutably qualified experts believe in these theories is surely not enough to justify a layperson in relying on the device. For example, common sense indicates that one can often find it more stressful to admit some discomfiting truth than to tell

a lie. Unless the user can personally understand how the machine is able to distinguish between possibly different causes of the vocal stress measured on the digital display, its use can hardly be justified.

To my mind, the only substitute for this detailed understanding as a basis for using the device, is for the potential user to undergo a personal test and see for himself whether the machine can detect the lies sprinkled among his answers.

The fact that the machine had worked with adequate accuracy in one's own case would, I think, be sufficient practical grounds for taking into account its judgment of others. But there is a problem. As the company said, the VSA is not a toy. Even the experts would not rely on it, I was told, unless the test questions were inquiring into matters which the subject might really be anxious to keep secret. So a personal test is certainly not something that could be carried out in public at next week's seminar in the Inn on the Park.

Indeed, seeing the sort of issues that had to be inquired about, even a keen potential buyer might have qualms about being tested in private. For without undergoing a personal examination, nobody who lacks detailed understanding of the device and its theoretical basis

would in my view be justified in using it on anyone else. But satisfaction of either the personal test or the detailed knowledge criteria would not be enough by itself to put an end to the moral issue. The reason is that the device could be used to analyse people's voices recorded without their knowledge, perhaps over the telephone.

Immoral

To use the VSA in that way would not only increase the risk of unreliable findings—from what the company told me, its claims of accuracy are based on the frank and open use of the machine as outlined earlier.

It seems to me an absolutely necessary condition of honest reliance on such a machine that the user would be willing to change roles with the subject and submit to a similar test vice versa. Integrity begins at home.

The best fate that I would wish anyone who used this or any similar machine under cover, is that it would show every subject to be lying about everything. Clandestine users could not then avoid looking in their own character for the reasons why they were not being told the truth.

Financial Times, Tuesday June 20 1978

CHIEF MANAGEMENT ACCOUNTANT Derbyshire

TI Chesterfield, a highly successful company within the progressive TI Group, manufacture and market a wide range of gas cylinders, tubes, extruded products and industrial silencers. The sites at Chesterfield and Walsall employ a total of 2,000 people and the annual turnover is in excess of £30m.

Reporting to the Financial Director, the duties of this interesting and very responsible post will be the maintenance and development of an effective management accounting service to the General Manager; the management of the Cost Department; the provision of a comprehensive management accounting service; budgeting, short term forecasting and monitoring to the five divisions within the Company.

The tact and practical ability to oversee the work of senior staff is an essential attribute.

This post requires a qualified Management Accountant of considerable professional experience and expertise who has a complete understanding of production, engineering and development and marketing preferably obtained in a heavy engineering environment.

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Applicants, male/female, should write to:

Geoffrey Allen, Personnel Manager,
TI Chesterfield Limited,
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Derbyshire S40 2EA.



Lancashire County Council

The County Council is strengthening its role in promotional industrial development in Lancashire and is seeking an

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Salary £7,548-£8,172 plus supplements of £312 and £208 p.a. to be responsible for the operation and development of this important aspect of the Authority's work aimed at promoting a realistic and modern image of Lancashire in a cohesive and concerted way and projecting that image both at home and abroad, with the object of "selling" Lancashire to industrialists as a County with outstanding advantages for industrial and commercial expansion.

This is a challenging post for someone who can bring the right degree of flair and enterprise to this work. The successful candidate should have experience in the sphere of business finance or industrial promotion and marketing, in at least one of the relevant fields of industry, commerce, local or central government.

Further particulars and application form, returnable by 3rd July 1978, from the Chief Executive/Clerk, Lancashire County Council, County Hall, Preston PR1 5XJ quoting reference 72/355. Tel. 0772 54988, Ext. 547.

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Please apply, in confidence, to the Staff Partner,
Grieson, Grant & Co., P.O. Box 191,
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- ★ British subsidiary of American international trading group is looking for a Chartered or Certified Accountant to act as financial controller and administrator. The Company is a ring-dealing member of the L.M.E. and also has a large physical business.
- ★ Applicants should preferably be between 35 and 55, must have considerable experience in international commodity trading, and be familiar with futures markets operations and related accounting procedures and computer control.
- ★ Additionally, a detailed knowledge of British tax law and sound administrative experience will ensure that the chosen applicant will be able to take an early place in the senior management of the company.
- ★ An attractive salary will be paid, which will be supplemented by an annual bonus. The company operates a contributory pension scheme.
- ★ Applicants should mark the envelope "Private and Confidential" and write to:

The Managing Director
LONCONEX LIMITED
29, Mincing Lane, London EC3R 7EU

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Qualified applicants should contact Mr. John Loyd at 01-499 8260.

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Wish to appoint a Company Secretary who will be responsible to the Deputy Chairman for the Legal, Secretarial, Administrative and Personnel matters of the Group, and be a member of the Management Team.

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Hartwells Group Limited, a public company which is engaged in the distribution of Motor Vehicles and Bulk Fuel Oil with a turnover currently running in excess of £84 million, seek a highly competent accountant for the above position with a view to promotion to Company Secretary within two years.

Candidates, male or female, should be qualified accountants in their mid-thirties with careers including an appointment of comparable seniority with substantial experience of financial planning and control. Experience in the preparation of Statutory Accounts, Pension Fund administration, Computer based systems and budgeting and forecasting techniques is also highly desirable. As a member of a small executive team candidates must be self-motivating and able to demonstrate their ability to play an effective role in a job demanding wide flexibility.

Applications, in writing, should give full details of qualifications and experience and be addressed, under confidential cover, to:

P. C. Barrett, Secretary
HARTWELLS GROUP LIMITED
Seacourt Tower
West Way, Oxford OX2 0JP

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Duties will include the preparation and supervision of Group accounts and forecasts and an ability to make a positive contribution to the general management of the Group.

The successful applicant will be aged around 30 with excellent industrial experience and must be a self-starter with Board potential, which should be achieved within a short period of time.

Salary will not be an inhibitive factor in this appointment and the general conditions of employment include 4 weeks holiday, contributory pension scheme with free life cover, etc.

Please reply with full details, including present salary to:

THE GROUP FINANCIAL DIRECTOR
Box AG30, Financial Times, 10 Cannon Street, WC2A 4BY

THE ISLE OF MAN CIVIL SERVICE

Applications are invited from recent honours graduates in economics for the post of Economist in the staff of the economic section of the Treasury.

The post is permanent and pensionable on a non-contributory basis (save for deductions of 1% towards family benefits) and has a salary scale of £8,643 to £25,779 per annum. The successful applicant will be concerned with the collection, collation and evaluation of information about the various forms of economic activity in the Island and the maintenance of an Index of Retail Prices.

Applications stating full name, address, date of birth, educational qualifications and experience should be submitted together with the names and addresses of two referees to:

THE SECRETARY, CIVIL SERVICE COMMISSION
GOVERNMENT OFFICES, DOUGLAS
by the 14th July 1978

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Because of continued growth, MSL, one of the world's leading management consultancies, operating in twenty countries, wish to appoint additional experienced consultants to their Executive Search Company in the U.K.

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The successful applicant will be offered a comprehensive remunerative package in keeping with this important position.

Applications, which will be treated in the strictest confidence, should be forwarded to:

Mr. I. Bahmaie,
Bank Saderat Iran,
5 Lothbury,
London EC2R 7HD.

TEXTILE COMPANY Due to expansion we are looking for

Works Manager—with extensive experience of textile printing, to be responsible for production and labour. Must have proven ability in management, industrial relations, production budgets. Able to maintain high standards of work.

Administrative Manager—to be responsible for the total administration of the company. Must have wide management experience involving financial control of company resources, formation and implementation of budgetary control systems.

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CLOVER LEAF GROUP FINANCIAL DIRECTOR

Clover Leaf, a rapidly expanding group of privately owned companies, market leaders in the Giftware Industry, manufacturing a wide range of quality table mats and kitchen accessories, sold internationally, wish to appoint a Financial Director to their group board.

Reporting to the Chief Executive, the Financial Director will have responsibility for development and implementing policies relating to the financial, accounting and computer activities of the group, including profit planning, cash management, tax problems, short and long-term financial activities, acquisitions and banking relationships. The successful candidate will have outstanding leadership skills and be capable of operating as part of a small tightly knit team. A Chartered Accountant with experience in manufacturing, preferably a graduate, and a thorough background in accounting and finance are essential—age probably late thirties or early forties.

Remuneration, which will reflect the importance of the position will be by negotiation, but will be in five figures, plus bonus and normal fringe benefits, including a company car. The appointment is open to both men and women.

Please write with full career details to:
Chief Executive,
Clover Leaf Group,
Cheney Manor,
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ALANGATE EMPLOYMENT AGENCY

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

RESEARCH

Could replace the liquid crystal

DEVELOPED to the prototype stage at Laboratoire d'Electronique et de Technologie de l'Informatique (LETI) is an alpha-numeric display system that could compete with liquid crystals for use in measuring instruments, clocks and watches.

Although details have not been released about probable cost—it is described as "low"—the display, which works on electrolytic principles, suffers from very little loss of contrast with increased viewing angle from the normal, can operate over a temperature range of -25 to +60 deg C, and requires only one volt for operation.

It consists of a sandwich of two thin sheets of glass separated by a few hundred microns of electrolyte consisting of silver and sodium iodides in organic solvents. The underside of the top sheet is the active electrode and consists of a thin film of conducting oxide laid down in the shape of seven segment character bars. The other electrode is a thin layer of silver.

An interesting characteristic of

the cell is that within 200 milliseconds of the application of a negative voltage to any of the defined areas on the top electrode sufficient silver is deposited by electrolytic action to give a 50 per cent light transmission reduction: the character appears as a deep reddish brown on a light background. After this, the voltage can be removed and the character remains. Application of a positive voltage results in erasure in about the same time.

A drawback is that there is no threshold effect (silver starts to be laid down as soon as the voltage is applied) so that the device cannot be multiplexed. The memory effect is also of limited duration so that driving circuits must be able to erase and re-enter the data, if necessary, at the end of this period. Power consumption for ten minutes character life is in the hundreds of microwatts region and devices have been successfully cycled ten million times.

More from the company at CEN-G 85X, 38041 Grenoble Cedex, France.

PROCESSES

Pictures will stay sharp

ALTHOUGH intended primarily for use with its new series of Lites matched films and processing solutions, Agfa-Gevaert's Resox system which is intended to keep lith processing absolutely stable, is applicable to other lith films and is thus "open".

The lith process, which is an essential part of the work in plate-making, particularly for high-quality magazines, is highly sensitive to exhaustion as the films pass through the chemical bath, and to oxidation, simply through the exposure of the bath liquids to the air.

Resox has been designed to provide two separate streams of replenisher—one to counteract exhaustion and one to offset oxidation.

Thus, one replenisher operates at a rate dictated by the area

of film passing through the bath in a given time while the other operates by adding small doses every 20 minutes. This means a lith system can be left for considerable periods unattended and the solution's strength will be accurately maintained ready for further work, without fuss or bother.

Daily check routines are simple and adjustment to controls immediate and the company claims that dot sharpness will remain the same months after pouring fresh solution into the machine. These claims are backed by some 18 months of practical trials.

Further data on the process and the Lites film series from Agfa-Gevaert, 27 Great West Road, Brentford, Middlesex. Tel: 01-890 2131.



TRANSPORT

Link-up at Leyland

CLOSER INTEGRATION of Bromwich in Birmingham. At present, Redditch is linked to 22 factories and by the end of the year will be operating at all 35.

The system is also being used to build up the engineering details of the new LC-8 Mini to be made at Birmingham. About 5,500 different parts, tools and equipment are required for this £250m project and the correct sequencing of supplies is being computerised so that the complex business of bringing them all together in the right place at the right time can be simplified.

By the end of this year, the full complement of large computer equipment installed at the centre will be one IBM 3033, two IBM 370/158s and two IBM 370/145s with two and one megabytes respectively.

An ICL installation is also scheduled for the parts operation at Cowley, Oxford.

PETER CARTWRIGHT

COMPUTING

Long arm of the machine

MAGISTRATE's courts in Stockport and in Gwent are among the first to use ICL's new computer package specifically designed to handle administrative work load involved.

At Gwent the system will run on a newly ordered 2903 computer backed by five 7502 terminal processors and a pair of 7181 visual display terminals. Stockport magistrate's court will make use of a 1904A operated by the Stockport Metropolitan District Council and the court staff will gain access via three 7561 VDUs installed at the court and linked through a terminal processor to the main computer by phone lines. Gwent will have similar links, between magistrate's clerks offices in Newport and elsewhere to the 2903.

Using the terminals police officers will send information about defendants and cases to the court's data bank held on the 2903. Summonses will then be produced and also supplementary documents such as a reminder to bring a driving licence or other document to court.

As the date of the hearing approaches the system is programmed to produce two versions of the court list for the day: a short one for the magistrates, court user and public and a full version which will form the court register.

After the hearing the sentence passed, if any, will be entered into the data bank via a terminal and the computer will then print notifications of fines, court orders and licence disqualifications or endorsement notifications. Statistical reports are also provided covering numbers and types of cases.

If money has to be paid the system will handle the accounting functions and take automatic follow-up action on unpaid sums or on court orders by producing reminder letters, summonses and warrants.

ICL is on 01-788 7372.

Aid for the legal profession

LEGAL computing takes a step forward this month with the formation of Oyez Computers by the Solicitors' Law Stationery Society group. This brings together the computer division of Oyez Services, which offers bureau services for solicitors, accountants and commercial operations, with Solicitors' Law's computer systems development operation.

Pioneer work in the legal profession by SLSS over the last 13 years has brought widespread acceptance of the benefits of the computer.

The company is developing in-house system products and further bureau services for both data and text processing, based upon the latest microprocessor and mini-computer technology. SLSS introduced computing to solicitors' offices with a batch-processed legal accounting service. Time-costing and payroll packages followed. Bureau services were also then extended to accountants and commercial users.

Culmination of the company's work in the legal sphere—still the largest market—was the recent introduction of on-line legal accounting, with an option for solicitors to take new services over the same equipment, as they are developed.

Oyez Computers, 237 Long Lane, London SE1 4PU. 01-407 8055.

WELDING

Portable machine

DESIGNED FOR professional and semi-professional use is a tough yet portable electric arc welding unit from Campling Gaz International, 126 St Leonards Road, Windsor, Berkshire (Windsor 55011).

Called the Ektra 320, it has a three-phase output, 50, 75 and 105 amps, and will use electrodes from 1.6 to 3.2mm. It measures 74 inches by 124 inches by 51 inches.

The face mask and scaling hammer are supplied complete with the unit and the electrodes sold separately.

By agreement between the Financial Times and the BBC, information from The Technical Page is available for use by the Corporation's External Services as source material for its overseas broadcasts.

LOVELL

for construction
01-9951313

ELECTRONICS

Integrated security

CENTRALISED control of a number of security and communications systems installed in an industrial or commercial complex is offered by Jorgen Andersen Ingeniørfirma with the Video Guard system.

Using a tone signal bus communications line between the parts of the system, some 16 alarm sensors (infrared, microwave, door contacts, ultrasonic devices etc.) can be connected together with eight camera inputs. Alarm sensors and cameras can be inter-related; for example, an activated sensor can cause a nearby camera to point in a pre-determined direction. Or, three alarm sensors could be related to three pre-determined camera aimings.

Most of the time, however, the cameras would be automatically sequenced to produce images on one or other of the two monitor screens built into the console, house Lane, Marlow, Bucks. SL7 1LX (06284 72727).

The rings, each individually and accurately calibrated to register the moisture levels of the various crops grown, are also designed to take into account the effect of different standard over-drying methods on crops.

Because official methods of the British feeding industry and Intervention (EEC standard) positions in the building, can give differing moisture contents for a particular sample of grain by up to 1 per cent, the company says that this potentially complex and confusing situation can now be eliminated by the use of the Grain Mini equipment makes it possible to register the moisture levels of different grains as only one can be used on the instrument at a time.

More from 18A, Bridge Street, Beaconsfield, Bucks. RG4 5AA. Beaconsfield (0734 475936).

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Highlights from the Balance Sheet as at December 31st, 1977

Assets	(in DM 000)	Liabilities	(in DM 000)
Cash	837.7	Due to banks	13,606.9
Bills	364.8	Other creditors	5,961.7
Due from banks	11,125.1	Outstanding debentures	22,970.1
Treasury bills and other securities	4,744.0	Loans on a trust basis at third-party risk	6,734.3
Due from customers	26,769.9	Provisions	262.5
Loans on a trust basis at third-party risk	6,734.3	Nominal capital	550.0
Trade investments	389.8	Declared reserves	1,077.0
Land and buildings	240.4	Profit	47.3
Other assets	959.3	Other liabilities	1,145.0
Assets of Landesbausparkasse (Building and Loan Association)	6,042.3	Landesbausparkasse (Building and Loan Association)	5,852.8
Total	58,207.6	Total	58,207.6



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Landesbank
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Subsidiary: Bayerische Landesbank International S.A. Luxembourg
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هكنا من العمل

The Management Page

EDITED BY CHRISTOPHER LORENZ

Richard Lambert on the measures taken by one of Britain's largest fibres groups to avoid a liquidity crisis

How Courtaulds kept the inflationary wolf at bay

EARLY IN 1977, senior management at Courtaulds, one of Britain's biggest textiles and fibre groups, became aware that the company could not continue on its existing course indefinitely. Its liquidity was being "crucified" by the impact of inflation on a high-volume business, suffering from cyclically low profit margins.

However, the group's report and accounts published today highlight a remarkable turnaround in liquidity in the 1977-1978 financial year. Despite a marked fall in profits from £80.9m to £53.7m pre-tax, group net cash resources rose during the year by over £30m. That such an improvement could be achieved seemed unlikely even 12 months ago.

Early in 1977 the group's annual turnover was running at £1.1bn a year, and its inventories exceeded £400m—the equivalent of nearly 28 per cent of sales. Assuming inflation at 12 per cent, Courtaulds needed a pre-tax margin of 3.3 per cent on sales merely to finance higher stock values. In fact, profit margins in the year just ended were to work out at only 3.4 per cent.

To make matters worse, the volume of stocks had been rising as demand for textiles fell. In classic counter-cyclical fashion, Courtaulds had not cut back its production in line with demand, on the assumption that—as in the past—there would be a major cost advantage in carrying high stock levels at the beginning of a recovery.

In 1974, when the previous boom peaked, stocks were down to about 11 weeks of sales whereas by 1976 they were up to the equivalent of 14 weeks.

But 1977 was the year that something went wrong with the textile cycle. On previous form it should have marked the second and probably the strongest leg of an upturn.

Instead the recovery, which had started to emerge in 1976, petered out and demand around the world slid away through most of the year.

Whereas profits were running at about half their previous peak levels, the group's stocks had risen by roughly £200m in value since 1974 and net cash resources—which had reached a high point of nearly £150m—were almost disappearing.

Management decided on three main courses of action. The first was to establish a two-tier system of interest charges on the working capital held by the operating companies. A lowish rate was levied on each company on that proportion of its working capital which was equivalent to the amount it held a few years earlier. A different and substantially higher rate was charged on the rest.

Obviously this meant that companies were being judged in an arbitrary and, in some cases, unfair manner by head office. But it concentrated attention on the cost of inflation and the urgent need to reduce stocks.

Next, Courtaulds devised a formula to penalise spending proposals which had a high working capital element. Effect-

tively it concluded that the larger the proportion of working capital in any given project, the higher the apparent return that would be required in order to achieve the same real results.

Finally, and much more radically, the group launched an exercise whereby all its UK units—and the products within those units—were put to the test to measure their financial self-sufficiency.

The idea was that in order to be viable, a product needed to generate enough cash to cover the effect of inflation on working capital tied up in it, together with the minimum capital spending required to keep it in operation, and its share of group financing charges.

These separate criteria were then defined in terms of a single cash margin. For instance, if a producer's working capital was turned over four times a year and inflation was running at 12 per cent, then that part of the margin needed to cover inflation would be 3 per cent. The required cash margin was then compared with the actual return generated by each product and unit.

After a trial run in June,

the system was applied across the UK in the autumn. It caused, recalls deputy chairman, Mr. Norman Smith, "quite a turmoil."

If a manager failed to pass the test in any area, he was required to show what steps he could take to retrieve the position within a given period of time. Typically these would include destocking, different pricing, or a change in the sales emphasis. If he was unable to show how this could be done, then the next step would be for central management to consider shutting down the product, the unit, or even an entire operation.

Grey areas

Clearly the results had to be interpreted very carefully. The extreme no-hope cases were one thing. According to finance director Mr. Graham Hearne, who joined Courtaulds from Rothschild's merchant bank, just as the exercise was getting under way: "In these instances the formula did no more than confirm in a very vivid way what we already knew."

But there were much harder

decisions to take in the greyer areas, where a business might have a very serious problem but still be worth supporting over the long-term. In a group composed of a large number of individual managements, it would have been fatal for Courtaulds to give the impression that it was prepared to cut off people's legs just to make them fit neatly into the picture. Mr. Smith is careful to point out that some products are still being produced which have not yet met their required margin.

There were other risks. It was important for middle management not to concentrate too much on short-term cash as against long-term profitability. A number of eager beaver finance directors among the operating companies started to incorporate the formula into their reporting systems. They were told firmly that this was a one-off project; once completed, that was it.

The achievement of the cash self-sufficiency exercise, says Mr. Smith, "is that it encouraged management to be prepared to sacrifice profit in conventional accounting terms for this year, in exchange for a real cash improvement. They

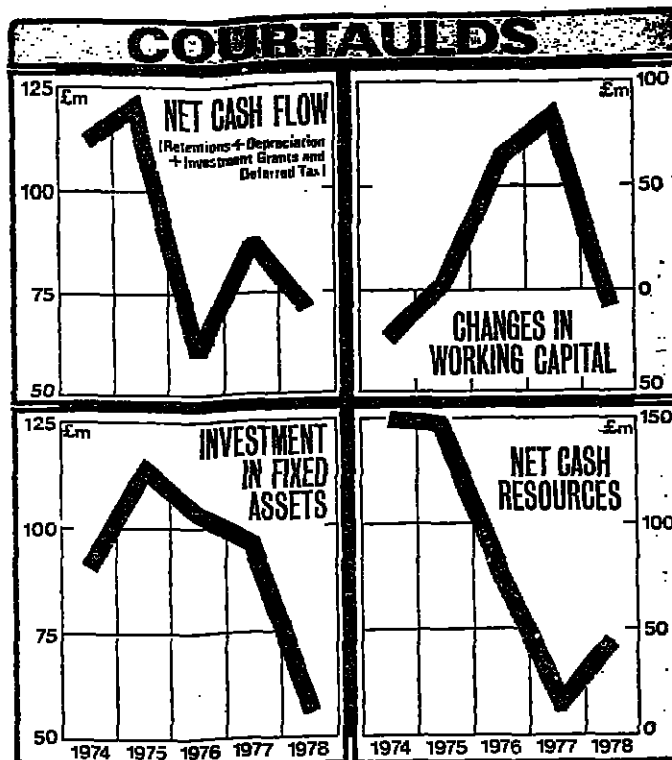
would be loth to do this under the normal system of reporting, whereby they are assessed on profit performance."

In financial terms, the results were dramatic. In a year when the group's costs were still running at a double figure rate of inflation, working capital fell by £8.2m. In 1976-77, it had jumped by £83.1m. In some product areas the contraction was even sharper. The volume of fabric stocks, for instance, was cut back by about 30 per cent, which translated into a fall of about a fifth in cash terms.

In the first half of the financial year, Courtaulds had a net cash outflow of £17m. In the second six months, by contrast, it generated a net cash surplus of nearly £50m.

This turnaround was not simply the result of tighter controls on working capital. In addition, the group's spending on fixed assets had been falling back sharply from the peak levels of the mid-1970s when a number of very big projects had come together to take the annual figure up to over £100m. The Lancashire-type spinning operations had been substantially re-equipped by 1976, and elsewhere the group had a number of very large new installations which as a result of the recession had never reached anything like their rated capacity. These included the Letterkenny polyester filament plant in the Republic of Ireland, the Campsie sheet and workwear factory in Northern Ireland, and the Belmont weaving shed in the North-East of England.

As a result, the capital spending screws could be tightened considerably without causing lasting damage to the group. In the preceding five years, investment in fixed assets amounted to £44m, far in excess of depreciation provisions totalling



£247m. In 1977-78, spending fell to £56m and was comfortably covered by an historic cost depreciation provision of £68m. Courtaulds has come through the recession so far in much better shape than most of its competitors. Whereas the European fibre industry as a whole probably lost more than £400m in 1977, fibres and yarns accounted for well over half the group's profits of £58m from fibres, textiles and related activities in 1977-78. One explanation is its commitment to the more buoyant cellulosic fibres as opposed to the heavily depressed polyester, nylon, and acrylic fibres. In addition its

balance sheet remains firmly based, despite the heavy cost of mismatched foreign exchange loans, and there is a comfortable margin of liquidity.

However for three years now the group has earned an inadequate return on its capital employed of over £900m. The trading outlook remains uncertain, and although there are indications of firmer demand coming from the retail end of the trade, Courtaulds has no intention of rebuilding its stocks in anticipation of market performance. Despite the big cash turnaround in 1977-78, management still has quite a few hurdles left to overcome.

Circuit breakers: the short cut to fuse box safety

THE INCREASING enthusiasm of governments and international bodies for all aspects of safety is soon likely to force managers and householders to take another look at that much neglected piece of equipment: the main fuse box.

There in a dark basement or underneath the stairs, will be found an array of rewirable fuses which most people never see except by the light of a flickering candle. Now after many decades of service these fuses are probably nearing the end of their days.

Indeed the UK is one of the few developed countries where

the rewirable fuse is still widely tolerated. In France, Germany and the U.S. the more expensive circuit breaker has long ago taken over on grounds of convenience and safety.

In the last few years, it has been realised that circuit breakers can offer not merely convenience, but important safety factors which it is essential for companies—and desirable for householders—to understand.

Apart from the commonsense

need to make factories and offices as safe as possible, employers will have to consider the liability that could arise in the case of an accident. Even an accident caused by a faulty appliance, or the incorrect wiring of a plug could rebound upon a company if its electrical installation were shown to be inadequate.

In the past it was generally considered that the ordinary fusing systems were all that was needed.

Now, however, there are two types of circuit breaker available which offer different ways of additional protection. Perhaps the most important is the earth leakage circuit breaker (ELCB) which is fitted near the main fuse box and protects people throughout the house or office from the danger of electric shock. The second type, called a miniature circuit breaker (MCB) is a direct substitute for the ordinary rewirable fuse, and is plugged into the main fuse box, one for each circuit.

Both types of circuit-breaker will cut off the supply as soon as they detect a surge in the current caused by the short-circuiting of a live wire to earth. An MCB can also detect a slow overheating of the wires which could be caused by a fault not serious enough to blow

a fuse. More important from the safety point of view is the ELCB, which will cut off the supply as soon as a person touches a live wire or a part of an appliance which has become accidentally electrified.

The ELCB can detect the fact that a small amount of current is escaping to earth and can therefore give protection, which is impossible with an ordinary fuse.

The extra safety which it gives to a whole circuit has already been recognised by brewers, for example, who generally insist that sockets in damp places like pub cellars should be protected by an ELCB. Although the cost, at around £20, is much higher than that for an ordinary fuse it can only be a matter of time before trade unions and safety bodies insist that all electrical installations are protected in this way.

Although use of the ELCB cannot absolutely guarantee that people touching live wires will escape electrocution, it reduces the risk to minimal proportions. For this reason, it is likely that most international specifications will soon include a requirement for ELCB protection. In the UK local authorities are already insisting on their use in such places as old peoples' homes and student hostels.

The prospect of a major changeover to circuit breakers in domestic and commercial installations has presented an interesting challenge to manufacturers of fusegear and related equipment.

George H. Scholes, which makes the Wylox fusebox and which plug directly into a 30 amp, 15 amp, or 5 amp fuse standard through Britain has bought in technology from abroad. It now makes a range of ELCBs under licence from Felten and Guilleume of Austria. Although Scholes has been the dominant supplier of fuseboxes with 75 to 80 per cent of the domestic market, it now

faces stiff competition for the potentially more lucrative circuit breaker market from MEM and from MK, which is moving in from its strong position as a supplier of plugs and sockets.

Recently, miniature circuit breakers costing a few pounds each, which plug directly into a 30 amp, 15 amp, or 5 amp fuse standard through Britain has bought in technology from abroad. It now makes a range of ELCBs under licence from Felten and Guilleume of Austria. Although Scholes has been the dominant supplier of fuseboxes with 75 to 80 per cent of the domestic market, it now

advertising aimed at the consumer. Instead, his firm will be directing its efforts towards the contractors and large customers like local authorities and to enlisting the support of electricity boards. Mr. McDowell says: "One of our problems is that 80 per cent of electrical contractors do not know how a circuit breaker works, so they are reluctant to advise customers to fit them, especially as they are anxious to tender at the lowest possible price."

In the longer term Scholes is hoping a greater public awareness of safety will enable it to develop intruder alarms and other devices. Linked to the

main fuse box, they could deter burglars, for example, by switching lights on and off in sequence.

More immediately, it is moving into the industrial and commercial market for distribution systems with a new circuit-board in which the MCBs are pre-wired for the contractor. In this way the company hopes to increase acceptance of MCBs because contractors will not be concerned with any of the box's internal wiring.

This policy is an insurance measure against the inevitable decline of the domestic fuse box—the company's staple product at present.

Max Wilkinson

The war that never ends



We British are a peaceful people. When a war is over we like to consign it to the history books—and forget it.

But for some wars live on. The disabled from both World Wars and from lesser campaigns, now all too easily forgotten: the widows, the orphans and the children—for them their war lives on, every day and all day.

In many cases, of course, there is help from a pension. But there is limit to what any Government Department can do.

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Instead, they effect us in another way that has more serious consequences both in the short and long term. Since the Red Cross has no profit as a cushion against inflation, this has to be covered with money from reserve funds. Funds that would normally be held back for emergencies or special international projects.

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This is why we are asking your board members or their charitable trust to consider whether they can help the Red Cross.

The Red Cross

If you would like further information about the Red Cross, please don't hesitate to get in touch with Derek Barson, Director General, The British Red Cross Society, 9 Grosvenor Crescent, London SW1X 7EJ

Business Books

Corporate Development in the Middle East, by Robert Nelson. Dyer Publishing. Price: £15. This is directed at the senior executive whose company is either planning or undertaking business operations in the Middle East, and provides guidance on commercial law and practice.

The Challenge of Management, by Alan M. Glassman. Wiley/Hamilton. Price: £4.20. This is a textbook designed to supplement the learning experience in the introductory management and/or organisational behaviour course.

Success in Law, by Richard Bruce. John Murray. Price: £2.50. The general principles of English law are set out in this book in a way that relates theory to action and which shows its relevance not just to the individual but also to society as a whole.

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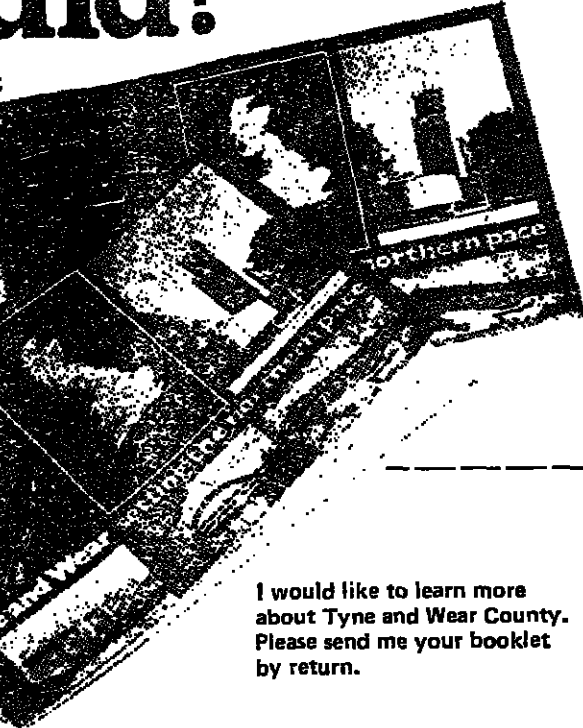
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Self-doubts in the U.S.

BY DAVID LASCELLES IN NEW YORK

ONLY IN the U.S. one imagines, would they have got the business of measuring consumer confidence down to such a fine art that it can be recorded on an index that goes up and down. But such is the case, and when the New York conference board updated its index this month it showed a further drop to 88.5 on a scale where 100 = 100.

But the board was only recording in figures something that is obvious to most people who chat, listen and read the papers here. Even though the index shows a further drop to 88.5 on a scale where 100 = 100.

It comes as something of a surprise to discover that in the places that matter, like New York and Washington, people can be so anxious about what the future holds, and for Britons, the stream of self-critical and morale-sapping items in the Press and on TV look depressingly familiar, especially when other countries are held up as exemplary.

It is easy, of course, to get the wrong impression from what happens on the east coast. After all, Detroit is churning out thousands of cars a day, oil is surging out of Texan wells, and the harvest is ripening in the mid-west. But as the conference board's index showed, something is up, or rather down.

Economics have much to do with it. Inflation is getting worse, and people are wondering whether there will ever be an end to it. Then there is the energy problem, which has all sorts of ramifications. It has driven home to Americans the fact that resources which were once considered infinite will one day run out — a traumatic prospect which takes on almost metaphysical dimensions. Also, Congress' failure to come up with an energy bill after more than a year's intense squabbling has raised questions about the country's ability to govern itself — again an awesome thought.

But then people start muttering about grave underlying trends, like the declining rate

of labour productivity. To most Americans, hard work is both an ethic and the demonstrated basis of their great economic strength. That productivity should now be weakening strikes a lot of them as a sign that something is gnawing away at those foundations.

Another worry is the loss of creative edge which, like labour productivity, has made America what it is. Although the U.S. abounds in gadgets which ordinary Europeans have not even heard of, let alone had a chance to buy, the situation is sufficiently serious for the President's chief domestic policy adviser to draft a memo earlier this spring stating: "There has recently been a perceptible decline in the kinds of industrial innovation needed to ensure both economic expansion of our industrial sector and continued U.S. technological superiority."

What seems to have added to these worries is the growing feeling of ineffectiveness on the world stage. Is it because the U.S. has a President who finds it difficult to handle international relations? Or is the country as a whole losing its grip, like other great nations in the past?

The failure to get anywhere with the biggest competitor of all, the Soviet Union, either over Africa or disarmament, appears to have revived old fears about Communism. But because the way attitudes are moving there is the extra chilling thought that the Russians could soon be in a position to overtake the U.S.

Absurd though it sounds, this idea crops up frequently in conversations among ordinary Americans. I have even heard well-educated young New Englanders express the view that the U.S. "peaked" in the early 1970s, and that the only way from now on is down. Meanwhile, the Russians are getting stronger, and spreading their influence to new parts of the globe.

I say absurd because, although Americans obviously have things to worry about, even the pitted streets and decaying buildings and selective backlogs coming out on top.

Two on whom I will be relying this afternoon are Coalminer, among the runners for the Group II Coventry Stakes, and one of the first representatives of the 44-year-old Irish raiding party, and Formidable, who once for the St. James' Palace Stakes.

Coalminer, for whom Vincent

IN SPITE of everything, we in this country have an almost unrivalled choice of wines from all over the world, and any not commonly found here are likely to be too local to attract attention here or uncompetitive with the firmly established names. But there are a few leading wines very thickly represented on wine lists, and perhaps the most distinguished of these are the wines of Franconia.

Certainly they are on the expensive side, like most German wines of quality; and the flagon-shaped bottle is not the most convenient type of bottle for transport or for trading. The main reason, however, why Franconian wines are so little seen beyond Bavaria, let alone outside Germany, is that they account for only 4 per cent of the country's wine production, and all but a small proportion is drunk within the State confines. It is estimated that 15 per cent is consumed in Franconia, 70 per cent in the rest of Bavaria, leaving only 15 per cent for the rest of Germany and for export, which takes not more than 5 per cent.

Moreover, something like a quarter to a third of the average production of about 25 million litres is sold direct "at the cellar door". For example, the huge co-operative at Reppendorf, in the middle of the rolling country east of Würzburg, sells direct 26 per cent of the 8.10 million litres it makes each year of its associated smaller co-operatives. Then there is the

very large restaurant and wine-bar trade in "open wines", bottled for this purpose in litre bottles.

In Würzburg alone there are 20 wineries where the copious 20cl and 25cl roemer classes are frequently replenished. (Market research in depth has shown that in the winehouse of the Burgerspital the average consumption is 2½ glasses.)

So, altogether it is doubtful whether more than half Franconian wine finds its way into regular wine trade channels and their customers.

One reason, perhaps, why these wines are not better known outside Germany is that the numerous village names are less familiar than those in such districts as the Moselle and Rhine. The German Wine Atlas published last year by the German Wine Institute in Mainz lists over 100 Franconian wine-producing villages, each entitled to its name on the label even if often using a district or grower name; while the Reppendorf union of co-operatives of wines from 80 villages carries a stock bearing 740 different site names and labels—a stock-controller's nightmare were it not computer programmed.

On the other hand, production is not so fragmented as this might imply, because Franconia includes a few large estates, headed by the three great Würzburg institutions: the Hof-Kellerer (the

State domaine), the Juliuspital (a hospital) and the Burger-Spital (an old people's home). The State Domaine has 120 hectares under vines in production, and the other two institutions have 80 hectares apiece, as well as other lands in course of

replanting or reorganisation. For in Franconia, as elsewhere in Germany, a great programme of vineyard consolidation is in train, uniting holdings and aiding mechanical cultivation by the elimination of terraces and rocky outcrops.

One such now completed is the Randersacker Marsberg, a splendid great sweep of hillside vineyards that cost DM 180,000 (£50,000) per ha to re-form.

Then there is the interesting private Castell estate on the eastern extremity of the Franconian wine district on the edge of the bleak Steigerwald. Once a great vineyard area, it went out of production after the Thirty Years War, and was only revived since the last world war. The Castell family were lucky to plant 120 ha of vines, for in spite of the real shortage of wine in Franconia, any extension of vineyards is nearly for

bidden. The Castells expect that the best they will be able to secure in the next few years is a further 2 ha. They pride them on the unsung quality of their wines.

Which are the best Franconian wines? Of course the

WINE

BY EDMUND PENNING ROWSELL

best-known site of all is the very large 100-hectare Stein vineyard overlooking the Main at Würzburg. So much so that Franconian wine has the word "Stein" used synonymously with "Franconian" in the popular mind.

Which is the capital with its Stein, and Schlossberg sites, the best wine villages are probably Randersacker, Iphofen, Eschenborn, Sommerach and Thüngersheim—although this list would hardly be likely to be accepted by the other villages. It might be conceded, however, that they are the most widely known. But it is impossible to list here the individual site names, still so numerous in spite of the sharp reduction under the 1971 German wine law.

Nevertheless the grape varieties provide some guide to quality. Certainly, as everywhere in Germany, the Riesling normally

produces the best wine. Unfortunately it buds early and thus is liable to spring frosts on these open, often cold uplands, and it matures late. So only about 4 per cent of Franconian wine is made from this grape, although the proportion is very much higher among the big institutions, up to 25 per cent, in the Burgerspital vineyards.

The traditional Franconian grape is the Silvaner, formerly predominant, but now accounting for only about 35 per cent, having been overtaken by the Müller-Thurgau. The Silvaner generally produces a rather dull, indecisive, favoured sort of wine, but not in Franconia where it can be excellent. I can never arouse much enthusiasm for the Müller-Thurgau that owes its success to its reliability in northern latitudes: a heavy, plodding wine acceptable but unexciting.

However, arising out of the problems of northern viticulture, the Germans are inveterate breeders, and in recent years some new varieties have had commercial success: notably Bacchus, Kerner and Rieslaner—the last a Riesling/Silvaner cross that occupies 15 per cent of the State Domaine's vineyards. As the Germans are punctilious about putting the grape names on their labels, along with almost everything else save the grower's telephone number, it is easy to pick out the most likely varieties. The best vineyards to look for now are 1975 and 1976.

The great virtue of most Franconian wines is that they are natural. Not using added sugar-reserve. Like elsewhere in Germany, the wines have a good acidity and are dry; sometimes, it must be admitted, to the point of dullness.

However, that does not preclude the wines of Spätlese, Auslese and even Beerenauslese qualities. Yet the dryer types do provide an answer to those who find nearly all German wines too sweet for savoury food. There are also the newly-fashionable, bone-dry, trocken wines completely fermented out and reckoned "to reduce the ever-present German risk of corpulence."

Those visiting Bavaria this year, perhaps for the music festivals in Munich or Bayreuth, will have no difficulty in sampling Franconian wines, both "open" and in the traditional bottle. If found to be expensive the sterling-Dm. exchange rate must partly be blamed as in popular wine-bars the mark-up is not excessive.

For those who stay at home, the search is more difficult, but O. W. Loeb, 16, Jermyn Street, SW1 has a few, including the Randersacker, Iphofen, Silvaner, Riesling, Spätlese (1976), Würzburg, Stein, Riesling, Spätlese (1976) and Iphofen, Julius-Echter-Berg, Riesling, Spätlese (1976), all including VAT. These are highly suitable wines for summer drinking.

Epsom backers should give Formidable another chance

BRITAIN'S annual racing show, Royal Ascot—which for many is the social high spot of the year while for others it is the only chance in the year to see four consecutive days of top-class flat racing—gets under way again today with the ground

O'Brien's former assistant trainer, Michael Kauntze, has secured the services of Willie Carson, booked his place in the afternoon's possibly sub-standard line-up with a victory in the Curragh's Marble Hill Stakes last time out.

Sent into the lead a quarter of a mile out, Coalminer, a cheaply bought Welsh Saint out of that speedy mare Pianissimo, made his 7,400 guinea yearling purchase-tast appear one of the scoops of last autumn with a cleverly gained victory over Park Romeo.

If, as reports suggest, Coalminer is some way in front of Cap Ferrat and the remainder in Kauntze's talented juvenile team, he will want a great deal of beating today. I take him to justify his illustrious reputation with a clear-cut success over Lake City and Northern Noddy, more time before showing their true worth. Peter Walwyn has made no secret of the fact that he still believes Formidable to be a top-class performer and those

punters who knew their fate with the Forli colt two furlongs from home at Epsom where he came to the end of his stamina in the Derby, will feel sure he is prepared to give him another chance in the Palace Stakes.

But for the presence of Persian Bold, a confirmed top-of-the-ground performer in outstanding form at present, it would probably pay backers to opt for Formidable with confidence.

As it is, he can be only a tentative choice to confirm William Hill Middle Park Stakes superiority over his Epsom-based opponent.

Both are likely to overshadow their seven opponents in the Irish 2,000 Guineas when Jazzeiro, both in the paddock and in the race.

ROYAL ASCOT
2.30—Uncle Pokey
3.05—Gunner B
3.45—Palmerston
4.20—Coalminer
4.55—Cherry Hinton
5.30—Formidable

11.20 Westside Medical
12.25 "Small painting by Constable with music by Elgar.

All IRA Regions as London except at the following times—
ANGLIA
9.30 am Mairland, 4.45 The Record Makers, 10.35 Feature Film: "The Mairlanders" starring Sophie Thompson, 11.35 The Record Makers, 12.35 The Record Makers, 1.35 The Record Makers, 2.35 The Record Makers, 3.35 The Record Makers, 4.35 The Record Makers, 5.35 The Record Makers, 6.35 The Record Makers, 7.35 The Record Makers, 8.35 The Record Makers, 9.35 The Record Makers, 10.35 The Record Makers, 11.35 The Record Makers, 12.35 The Record Makers, 1.35 The Record Makers, 2.35 The Record Makers, 3.35 The Record Makers, 4.35 The Record Makers, 5.35 The Record Makers, 6.35 The Record Makers, 7.35 The Record Makers, 8.35 The Record Makers, 9.35 The Record Makers, 10.35 The Record Makers, 11.35 The Record Makers, 12.35 The Record Makers, 1.35 The Record Makers, 2.35 The Record Makers, 3.35 The Record Makers, 4.35 The Record Makers, 5.35 The Record Makers, 6.35 The Record Makers, 7.35 The Record Makers, 8.35 The Record Makers, 9.35 The Record Makers, 10.35 The Record Makers, 11.35 The Record 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Paris Theatre 2

Arrabal and d'Annunzio

by GARRY O'CONNOR

The "Lucernaire" in Montparnasse, is a cultural phenomenon which may be the pattern for the future in a city of diminishing theatre attendance. Concentrated in one building are two theatres, two cinemas, an art gallery, and a concert hall, and from 6.30 in the evening to midnight are mounted some dozen or more shows of one kind or another. The economical use of staff in such an enterprise is at once evident (a statistical study of employment in the theatre would no doubt show that while the number of actors has remained steady or possibly declined, the number of theatre staff has increased manifold). But the advantages to the public are also great, in so far that during the playing hours there is an almost permanent sense of event and expectation.

At the moment there are three separate performances worth seeing: a new Arrabal, unusually farcical for this author, an old Marquise Duras, *Les Baisers et les forêts*, in which Claire Deluca plays; an early play by the Italian poet d'Annunzio, one of those pieces of textual resurrection by a director (dramatically in abuse of an author's intentions) which happily on this occasion works quite well.

To celebrate his 20th anniversary as a playwright Arrabal has taken a leaf perhaps out of his fellow absurdist, Tom Stoppard's book, and produced a high spirited skit on politics. The welcome element in *Punk, Punk of Columbia* is the speed at which the typical Arrabalesque fantasy unfolds. Two secret agents, one a Chilean, the other a Russian, sleep in adjoining rooms in a hotel both apparently telephoned by the same headquarters. They are also transvestites, one as a Red Indian, the other as a Wagnerian prima donna, while in addition the Russian operates a flea circus, and they are soon joined by a widening circle of vaudeville grotesques: a former S.S. agent, a Klu-Klux-Klan figure induced by a dose of opium, and so on. Arrabal's idea is that what

corrupts man is his appetite for power (nothing new here), and that what he ought to do is to accept love (even if, in his case, it is too often offered by a man in knickers and suspenders). In Georges Vitalis's athletic production, and with suitably burlesque and dead-pan performances from Jean-Pierre Leroux as the Chilean, and Gerard Hernandez as the Russian, the well-disciplined, frolics hardly flags a moment, and is all the better for being free from Arrabal's usual purple passages. Although one paper's headline, when this play opened several weeks ago, proclaimed that "Arrabal vitrole toujours," this striking phrase seemed largely without foundation.

At the opposite end of Arrabal's power-busing anarchy, and at a later hour of the evening, Gabriel d'Annunzio's curious piece, *La Gioconda*, is also enjoying a successful run here, with some outstanding performances from Eliconore Bitt, and Genevieve Brunet. The director, Jean Rousier's approach to this piece of what now seems decadent romanticism, is to inject it with delicate irony, a tactic which seems to go down well. d'Annunzio's elegant phrases are even pronounced in mock Italian tones, while the actors behave with exaggerated gestures, to match the precious sentiments. The sculptor whose mistress separates him from his wife by a Russian, and who is later killed by her, is a character whose lofty extremes seem worthy only of condescension.

His great work is almost destroyed by his mistress, but saved by his faithful wife who loses her hands in execution of this gallant deed. It is stylishly performed by all the cast, but except for a touching encounter between the wife and a graceful nymph, it left me feeling that while I was happy to have become acquainted with d'Annunzio as a playwright, his theatrical love affair with the celebrated Eleonore Duse still held more intrinsic fascination.

Hamburg

Don Carlos

by ELIZABETH FORBES

There are almost as many varieties of Verdi's *Don Carlos* as there are of a well-known brand of tinned soup. The Hamburg State Opera's recent production uses the revised critical edition prepared by Ursula Gunther and Luciano Pavarotti. This is a five-act version (sung in Italian at Hamburg), with the first, Pontebello, act in the form it had at the Paris premiere in 1867 and the remaining four adhering basically to the familiar version revised by the composer and first performed at La Scala in 1884, but with one or two additions and variations deriving from the earlier text. There is no intention, as in Act 4, and no ballet either—but part of the confrontation between Carlos and his father after the death of Posa has been reinstated, while the finale to the last scene of act 5 is expanded.

All the extra material involves the title role and Jean-Pierre Ponnelle places Don Carlos firmly in the centre of his production. Almost equal importance is accorded to the Emperor Charles V, whose tomb forms a constant feature of Mr. Ponnelle's majestic sets. At certain points Carlos is discovered before his grandfather's monument: the forest of Fontainebleau seen through his imagination with starving peasants and snow-covered trees glimpsed behind a scrim, evokes his first meeting with Elisabeth, and the second act, in the monastic cave, St. Juste follows without a pause. The stage is dominated by an immense crucifix, while equally colossal figures, richly clothed skeletons with skulls instead of faces, line the wings.

These figures occasionally comment, as it were, on the action by gyrating away from or towards the characters: one such movement in the duet between Posa and Philip is quite breathtakingly effective. The auto-da-fé, with only two victims but a multitudinous crowd of state in Fort Hagen's sombre costumes, is impressively managed, while the final scene, as King and Inquisitor are disclosed sitting in judgment high above the kneeling figures of Don Carlos and Elisabeth, causes a genuine stab of terror. No attempt is made to identify the Monk with Charles V; Carlos hears a voice that seems to emanate from the Emperor's tomb, and falls dead before it. His epileptic tendencies have been established from the opening scene.

Vasilie Moldoveanu, who sings Carlos, brings a handsome, youthful appearance and a sturdy voice to the role. He can fulfill the considerable dra-

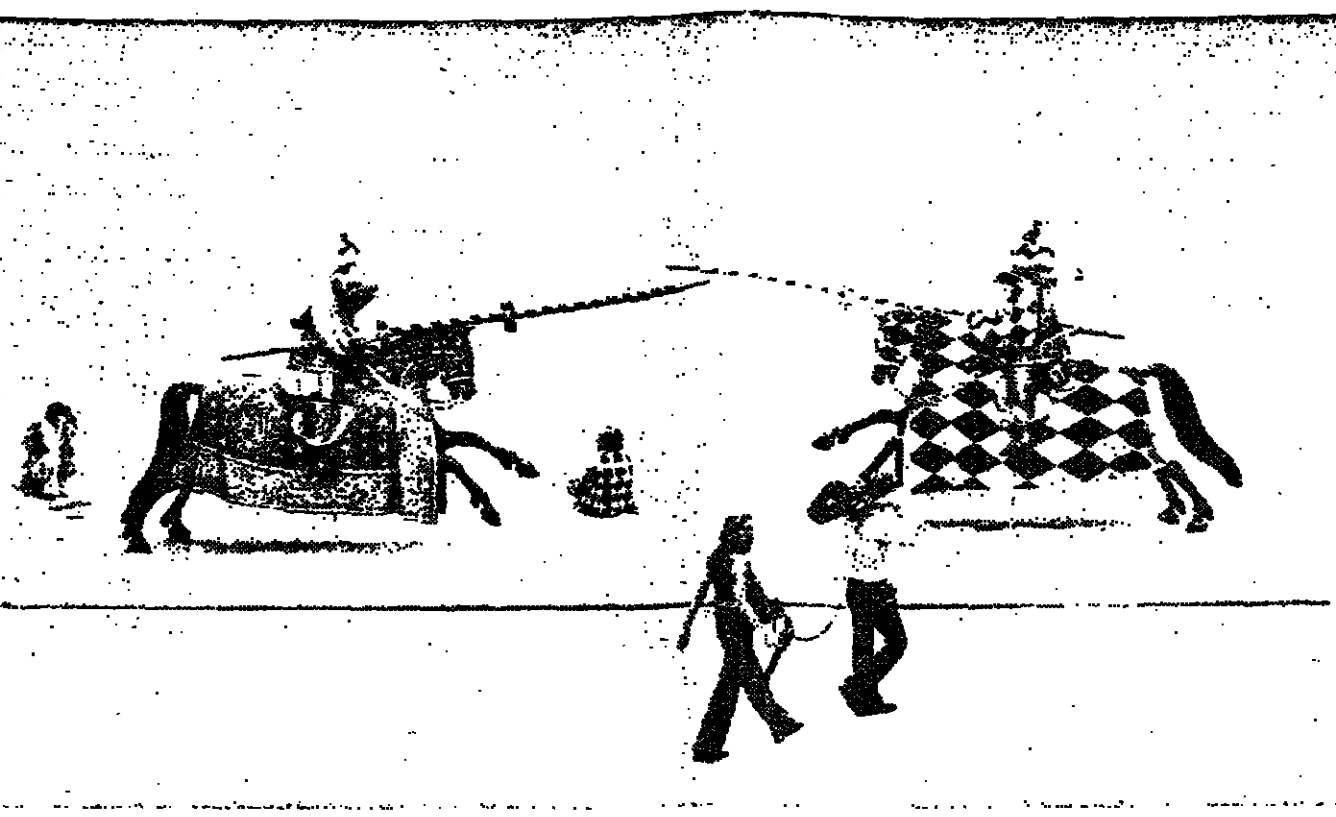
'A Family' at the Haymarket

A Family, a new play by Ronald Harwood, opens at the Haymarket Theatre on Thursday, July 6, with previews on July 4 and 5.

The cast includes Paul Scofield, Harry Andrews, Eleanor Bron, Trevor Peacock and Irene Handl. The play is directed by Peter Ben-Edwards, designed by Peter Ben-Edwards, with lighting by Michael Williams.

Gainsborough painting

Lord Donaldson, Minister for the Arts, has accepted the recommendation of the Standing Commission on Museums and Galleries that the painting, *Greyhound Covering Fox*, by Gainsborough, offered by Lord Rosebery and accepted by the Government in lieu of estate duty, should be allocated to the Iveagh Bequest, Kenwood House, London.



Tournament armour from Wittenberg and Dresden, mid 16th century

Washington D.C.

A National Gallery's new extension

by WILLIAM PACKER

All National Galleries are worth travelling some way to see, but not always for their architecture; and so, when a great collection is significantly augmented by the accession of bricks and mortar, we can only applaud. The new East Building of the National Gallery of Art in Washington, it is true, has excited its fair share of controversy: modern architecture makes as many people nervous as does modern art—and, in a city as unlucky as Washington has been in its more recent public buildings, we can hardly blame the natives for being at times just a trifle nervous, as their best view disappeared behind yet another pile. Now that it is up and open, spotless in the summer sunshine, they are all delighted, and so they should be. And even the New Yorker's wife, that only in Washington would an ordinary building by his own standards appear remarkable, need not rattle overmuch.

The East Building is indeed extraordinary, and not only in its external appearance, for it marks a level of private generosity that, even on the scale of American beneficence, stands extremely high. Just as his father, Andrew Mellon, built and gave the National Gallery itself to the nation, some 40 years ago, and his collection to go with it, so his son Paul has built and made a present of his fine extension, and in accepting it, President Carter made clear that the federal government would always fund it appropriately.

It occupies an awkward but spectacular site, pointing the blunt arrow made between Madison Drive and Pennsylvania

Avenue straight at the Capitol. The architect, I. M. Pei, has designed what looks from the outside, and especially so from a distance, like a fortress of some kind, with impressive towers and curtain walls, and deeply guarded entrances; but its elegant geometry, the sharp, clean lines, its sheer and unmistakable stylishness, make it far from daunting a cultural block-house.

And, once inside, Mr. Pei's cleverness is even more apparent. The trapezoid ground-plan is resolved essentially into two triangles, which between them take care of the twin functions of the building, the smaller, right-angled figure housing the study centre, the larger isosceles, the more naturally public part, with its base indeed forming the entrance front, given over to exhibitions.

But entrance brings with it a considerable surprise, for the visitor moves into a large, covered court, ringed by wide balconies, that would seem to use up all the available space, giving us plenty of room to move in; but where on earth is the art? A huge Calder swings lazily over the central concourse: a large Caro centres oddly on a high shelf, rather losing its true scale and, apart from the use of all other equal in size or ambition (more of that in a moment), but all meant to be of some consequence, all of them at least sizeable in some degree. And we come upon them once we penetrate the towers, which each contain suites of galleries

on three levels, linked where possible within the curtain wall, providing an exhibition area infinitely more extensive and adaptable than we might at first have supposed. And below ground is the largest exhibition space of all, well able to take the largest of shows and currently full, until September 4, of "The Splendor of Dresden." The Museum, naturally enough, would wish to bring in this new era in its affairs as it might wish to continue, and all six shows do have a certain portentious air to them; but securing the Dresden show, though it goes on to New York and San Francisco, was a great coup; and here it comprehensively over-shadowed the others: Subtitled "Five centuries of Art Collecting," it is a package sent over by the East German Government that is literally dazzling in its detail, disconcerting in its variety, and almost stunning in its splendid whole: which is not to complain, for that one risks severe spraining of the sensibility with the sudden leaps one asks of it—from armour to porcelain to pictures to diamonds. It is almost too much, like trying to take in the V and A in one go; but not quite.

The Electors of Saxony were at various times, in the sixteenth and eighteenth centuries particularly, prodigious collectors; and their treasures, though now dispersed amongst Dresden's many State museums, are the heart of this show. They are shown to us group by group, museum by museum, masterpiece after masterpiece; and even the most faithful of specialists must be seduced somewhere into at least monetary dalliance with other things. But for me, just as for others it might be the Meissen, or the jade, the gold and silver from the Kunstammer and the Green Vaults, the paintings and drawings alone would have made the trip worthwhile.

There are gaps and weaknesses, of course, for collecting was ever a personal affair, but it was perhaps a mistake to include the two small groups of nineteenth and twentieth century paintings and posters, for none is exceptional, their range too narrow in such grand company. Friedrich, for example, interesting though undoubtedly is, seems fussy and near-spirited placed in such cruel proximity to the exquisite Durers and Cranachs, Rubens and Rembrandts from the Prints and Drawings Cabinet.

As for the old master paintings, there is little to do but list a few of the major treats, the works speaking for themselves. Today we come to know pictures very well, or think we do, from reproduction; and so, every museum that is new to us, and every exhibition passing our way, might well contain a favourite, or at least familiar work. We all know the excitement and then the shock of recognition, as we round the screen to confront the reality—fancy that being here.

And so it is that from Dresden come a great Poussin, "The Realm of Flora," "Samson's Riddle" and the "Ganymede" by Rembrandt, a most lovely and piquant Watteau picnic, an exquisite Vermeer, "The Girl at a Window, reading a letter," and Steen and Ter Borch, a fine Wouwermans skirmish, the splendid Godefrid double portrait by Holbein; and Velasquez, Rubens, Tintoretto, Canaletto, Durer and Cranach, and yet more Poussin besides.

In the face of such strong competition the other shows do seem a shade light-weight, easily and admirably showing off what we might call the new Facility, but not stretching and rather disappointing in themselves. Alone, or in other circumstances, they might have done better, each a sound museum exercise; but promotional overkill suggested they were something more than that. But we must remember the Curator's Egg, and in another article I shall try to distinguish the parts that are excellent.

Aldeburgh Festival

A happy medium?

by NICHOLAS KENYON

As spring turns into summer, a brass ensemble, it provided a perfect Suffolk weekend: the wind violent and invigorating, the sun brilliantly penetrating, the sea a ferment of constant renewal. Snail's Maltings retains its unashamed beauty, with only a busy far-off tractor to disturb our cocoon-like world of artistic indulgence. There are John Piper pictures in the barn, Suffolk Churches photographed in the foyer, and engravings by Reynolds Stone in the bar.

The hero of this year's event is undoubtedly Mstislav Rostropovich. Aldeburgh has given him a home and taken him to its heart—a capacity audience stamped with enthusiasm after his recital on Saturday night—handel's *L'Allegro, il Penseroso*, and he, for his part, responded with playing overflowing with generous emotion. His bulging Bach, in which huge waves of impetuous expressiveness quite remove any feeling for the dance rhythms, is not to my taste. His account of Britten's "Third Suite" was magical, though, a perfect matching of technique with content, creating a fantastically varied texture of sounds, by turns yearning, bold, flamboyant and lyrical.

Besides his playing, what will Rostropovich have to offer the Festival now that he has become one of its Artistic Directors? Not much on the evidence of this year's programmes. Inevitably, I suppose, that Britten's works should still provide the highlights ("Populous cities please me of most concerts; his lovely, late, atmospheric *Suite on English Folk Tunes* was the first and best item in the English Chamber Orchestra's concert on Friday night, his *Hymn to St Cecilia* was appropriately sung by a solo quintet (though beautifully shaped by Peter Pears' direction) on Saturday afternoon.

But where is the evidence of adventurous renewal? The Festival must find a new voice, and it surely could not be content with this weekend's premiere of the European premiere of Peter Racine Fricker's *Sinfonia* for 17 wind instruments, a nicely put-together piece, pitting a woodwind band against

Los Frances-juges at the beginning. In days when we are commonly supposed not to know anything about Berlioz, one used in fact to hear, and be thrilled by, this overture more often than now.

The *Spring Symphony* was given a compact reading more notable than most for symphonic cohesion, with less feeling than usual that the work is a warmer English anthology-cantata, Zug Mus, mating once again with Eng. Lit. The distinguished soloists, Sheila Armstrong, Janet Baker and Robert Tear, were all a little subdued. Miss Armstrong was sweet and small-scale where a touch of amplitude would not be out of place. Dame Janet was infinitely delicate in "Out on the lawn" but it was the chorus, not the alto, who brought home most sharply the feeling of thirties guilt and unease. Mr. Tear excelled in "When will my May come" but not in the usually irresistible "Waters above". A small contingent of boys from St. Clement Danes tried valiantly to be heard. What made the performance memorable was the singing of the chorus—attack, inventiveness, words, colour; everything.

The playing of *Daphnis* was fresh and lusty, though (mercifully) cuttings from Peter Lloyd) to make it seem curmudgeonly to regret the Mendelssohn. There is always someone bearing even *Daphnis* for the first time and they would not forget this occasion. Actually by far the most startling music and some of the most electrifying playing, the spite of an opening, came in the Berlioz Overture

the parts that are excellent.

But it is wrong to talk of

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FINANCIAL TIMES

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Tuesday June 20 1978

Money and wages

THE LATEST earnings survey shows that in the economy as a whole earnings are now 12 per cent higher than a year ago, while in the production industries which used to be the basis of the survey the increase is 15 per cent. This divergence is a sharp reminder of what almost invariably happens during a period of relatively rapid growth.

This is a slightly disappointing result, of a 10 per cent norm, but hardly an unexpected one: the outcome for earnings in the whole economy could still be in line with forecast at 14 per cent or 15 per cent for the whole year, with production earnings perhaps a point higher. It is clear, though, that only a very sharp slowdown in earnings will keep costs in line with current inflation rates, let alone a further reduction in inflation; but it cannot be taken for granted.

Confidence

This conjuncture, which has been seen during the preparatory talking about the next wage round in each of the last two summers, is naturally hard for financial confidence: investors understandably want to wait and see. The point is made with some force in the latest quarterly bulletin from the Bank of England: and when the Bank argues that prospects for growth and real incomes as well as for inflation will be greatly improved if there is a moderate outcome, few will be inclined to argue.

However, there is one point missing from the Bank's analysis. It might be expected that the national monetary authority, responsible for seeing that monetary growth is kept within the official 8-12 per cent range, would offer a further and powerful warning: a sharp rise in costs would immediately put a strain on the available sources of credit, with a sharp rise in interest rates and an equally sharp fall in investment. This admittedly harsh and destructive mechanism is the means by which monetary restraint ensures that inflationary demands in the economy are rapidly self-defeating; and it is the general understanding of these consequences which gives trade union leaders a strong and positive interest in a rational level of settlements.

No movement on the West Bank

THE ISRAELI response to American questions about the future in five years time of the West Bank and Gaza Strip has not been as forthcoming and precise as it might have been. In one unfortunate sense this is no surprise because Mr. Menachem Begin, Israel's Prime Minister, is known to have strong views on these occupied areas, and his Palestinian in-laws, at the same time, the statement was bound to be vague because of divisions in the cabinet.

It was not unexpected that the four members of the Democratic Movement for Change, which has in general been opposed to Mr. Begin's policy on settlements in the occupied Arab territories, would not vote in favour of the statement. It was far more serious, however, that Mr. Ezer Weizman, the Defence Minister, a key man in preserving some semblance of a dialogue with Egypt, and one tipped as a possible successor to Mr. Begin, should not be able to support the announcement. Thus Mr. Begin got his majority—but only 14 out of 19 ministers—and avoided the indignity of defeat on a key issue.

Out of touch

Mr. Begin comes across as being out of touch with three groups of people in particular with the Middle East. This stems in part from the historical peculiarity of Mr. Begin's position. After nearly three decades in opposition, and a troubled and painful past first in Europe and then in Palestine, Mr. Begin is acutely aware of the opportunity thrust on him of being the leader who could bring final peace to Israel. But as strong as his immersion in Jewish history which makes him reluctant to be the politician who signs away the historical homelands of Judea and Samaria (the West Bank).

Apart from members of his own cabinet, the first group Mr. Begin seems out of touch with is the Israeli public. The most

The Bulletin, however, appears to turn this proposition on its head. It argues that because financial confidence is weak, funding is a problem. Wage restraint thus becomes important to underpin monetary control, rather than the other way round.

The Bank would naturally not wish to defend a system of monetary control which will function only when other circumstances are favourable, but the passive tone of the Bulletin's remarks on monetary developments comes dangerously near to arguing that this is in fact how our own system works. There is also a strange lack of conviction about the relation between domestic monetary developments and the exchange rate, when the Bank remarks that the excessive credit creation in the first quarter of the year can hardly have had anything to do with the weakness of sterling, since nobody knew about it until the seasonal adjustments were revised, so that confidence cannot have been affected. The Bank appears obsessed with the effect which expectation and confidence have on monetary flows, but reluctant to admit that monetary flows affect markets and expectations. This sounds more like the analysis of bond salesman than of a monetary authority.

Independent

Unfortunately this strange analysis does reflect two realities. British monetary control, which rests so heavily on sales of Government bonds, is excessively vulnerable to uncertainty; and any system of monetary control can be undermined by politicians who think that they can proclaim a monetary target, and a target for domestic credit expansion, and then withhold stock for fear of a rise in interest rates and spend the reserves to resist a fall in the exchange rate. A more forcefully independent monetary authority, with more flexible means at its command, would be less vulnerable to speculation and interference. The outcome the Bank so wishes to see—wage moderation and continued real growth—would be much more likely if its own operations were not so dependent on it.

New York challenges London

NEW YORK has just sent ripples through the insurance industry—and beyond it too—with the announcement of a move to set up its own equivalent of Lloyds of London, paying that institution the compliment of copying it, but at the same time facing it with the threat of competition.

A Bill backed by Governor Hugh Carey proposing amendments to New York insurance law is currently before the State Assembly, and all the signs are that it will be passed before the summer is out, enabling a Lloyds of New York to open in about a year from now.

The real Lloyds has reacted cautiously, preferring to withhold any assessment of what it all means until the Bill emerges from the committees writing the fine print. Privately, Lloyds underwriters have pooh-poohed any suggestion of a threat to their unquestioned dominance of the world insurance field. Their view is to some extent shared by New York insurance people who have calculated that the volume of business handled by a Lloyds of New York would be tiny—initially at any rate.

The Bill has earned powerful political backing because its sponsors claim it will bring more business, and therefore jobs and capital, to New York. Moreover, Governor Carey comes over for re-election in the autumn, and every little bit helps. However, the Bill is only one part of a broad move here to reform American insurance law, which is considered un-

for companies to handle anything but routine insurance, and as a result "one-off" policies or those needing a very quick response are hard to place. However the rules do say that anyone who has been turned down by admitted insurance companies may place his business in "surplus line" market, which is unregulated, but also unprotected by state guarantees.

The rules in New York are particularly severe, which has forced a lot of insurance companies, including reinsurance companies, out into neighbouring states, creating fears that the industry in New York could in the long run become undercapitalised.

Towards the end of last year, the New York State Commerce Department got together with a New York insurance consultant, Mr. Donald Kramer, to see what could be done. Mr. Kramer, himself a name at Lloyds, came up with a proposal to create a New York insurance exchange closely modelled on Lloyds with the express idea of attracting more capital into the business and restraining the flight of insurance abroad.

This was then worded as a Bill and introduced into the State Assembly last spring. Mr. Kramer's blueprint draws on all the main features of Lloyds including a trading floor where syndicates of brokers and underwriters can conduct insurance business according to the exchange's own constitution. It differs in only two respects: whereas Lloyds insurance is

conducted by individuals with unlimited liability, the proposed New York exchange admits the possibility of corporate membership, with members having limited liability but backed by a guarantee fund financed from a percentage of premiums earned. This was a sop to the regulatory authorities.

The Bill mentions three specific areas of business for the exchange: reinsurance of all kinds, direct insurance of all foreign risks, and surplus line or hard-to-place risks.

Were the exchange to get the go-ahead for next year, Mr. Kramer has proposed a minimum initial capitalisation of \$60m, made up of 20 syndicates worth \$3m each, or some such permutation. On an average underwriting to capital ratio of three to one, that would enable the exchange to underwrite some \$180m worth of insurance straight away.

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This poses potentially the greatest threat to Lloyds of London, which relies on U.S. reinsurance for a large part of its business. The New York exchange would have none of Lloyds' deeply rooted expertise or reputation, but insurance industry analysts in New York can see a situation where Lloyds might be forced to undercut the U.S. market in order to make it more attractive to U.S. insurers to do business on the other side of the Atlantic instead of doing it on their own doorsteps.

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Observers here point out that whatever a local Lloyds going abroad, again pointing to the chances of success may be, it is only one of several changes that are afoot. Along with the Lloyds Bill in the State Assembly is a twin Bill to create a "free trade zone" for insurance in the city. Again, the idea is to find some way out of the choking tangle of regulations, particularly for insurance not directly affecting the consumer.

If the zone is created—and early passage of the Bill is expected, thanks to its strong political backing—it would regulate large risks (\$100,000 and more) and permit specialised or hard-to-place risks in the New York insurance market.

Mr. Hank Greenberg, long a supporter of this scheme, argues that it would bring benefits similar to those for which the Lloyds idea is being promoted: times, and are nurtured by it would give a much needed general feeling about the insurance industry, world insurance market, rather than specific grievances.

But one point can be dismissed. The Bills are not a direct reaction to Lloyds of London's refusal to permit Marsh and McLennan, and another large broker, Frank B. Hall, to buy majority interests in two Lloyds brokers. Although developments here look suspiciously like retaliation to those for which the Lloyds idea is being promoted, it would give a much needed general feeling about the insurance industry, world insurance market, rather than specific grievances.

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INSURANCE

BY DAVID LASCELLES

necessarily restrictive. One of the big arguments marshalled by the reformers is that Lloyds insurance market out of all proportion to Britain's own role in it. They also say that the way things work at the moment, insurance is a drain on the U.S. balance of payments because so much business goes to Lloyds.

The U.S. property-casualty insurance industry has historically been tightly controlled at state level. Only licensed or "admitted" insurers may conduct business, and the State Insurance Superintendent must approve all their premiums and policies. That makes it difficult

conducted by individuals with unlimited liability, the proposed New York exchange admits the possibility of corporate membership, with members having limited liability but backed by a guarantee fund financed from a percentage of premiums earned. This was a sop to the regulatory authorities.

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MEN AND MATTERS

Robins over the water

With not a leaf or twig to boast about, the oil platforms far out in the North Sea hardly appear a bird's natural haven. Yet over 60 separate species, ranging from the Barn Swallow to the Godwit to the Short Eared Owl, have been spotted from the four platforms in BP's Forties Field.

Amateur bird watchers working on them for BP had been expecting to see a wide range of seabirds such as gulls and auks, petrels and ducks. But they have also been startled to spot ten types of waders, including golden plovers, snipe and woodcock. Five separate birds of prey have also hovered around the helicopter pads. But the most surprising guests have been 28 different species more usually associated with hedgerows and woodlands. These include that rarity of rarities, the Richards Pipit, and Britain's smallest bird, the Goldcrest—as well as the more common robins and blackbirds.

The Royal Society for the Protection of Birds tells me that the platforms, 110 miles east-north-east of Aberdeen, are on the "flyways" of the waders as they migrate between Arctic Russia and Scandinavia and Britain's East Coast. As for the birds of prey, such as owls and sparrowhawks, these, I learn, have periodic "eruptions"—that is when "good lemming years" or good breeding seasons are followed by shortages of food which drive them to hunt elsewhere.

When I asked what birds we regard as essentially stay-at-homes were doing around the platforms, the RSPB said: "More migrate than you think." BP's tales of weary carrier pigeons landing for rest on the platforms led me to ask whether the birds benefited from such man-made islands but its answer was a rather cut negative. Birds know how to handle long dis-

tances, I was told, and are liable to roost rather than roost because of the 50-foot gap—particularly when clouds cover the stars and the birds' celestial navigation is out of synchronisation.

The RSPB says 2m seabirds breed around the North Sea and the French Government has classified the place as an historic monument. Mallet inherited the gardens from his grandfather, who founded the merchant banking firm of Neufiltz, Schtumberger, Mallet. The ex-director hopes to open his new venture in a few weeks, with a garden centre and craft shop.

"I can't say that I ever liked banking," he says. "But I hope I shall sell enough plants to show I still have some of the family financial acumen."

Film fans

Bureaucrats and parliamentarians from all over Europe gathered in Lisbon last week for a symposium on the relationships between film industries and governments. Taxpayers will be glad to know that the talking was of a suitably earnest and high-minded nature. The one element that seemed to be missing was an actual film, so the Portuguese hosts provided that by inviting the 150 delegates to see a new prize-winning work about their country called "Tras-os-Montes". Three delegates turned up—two British and one Turk—plus the film's director, who stared at the vast emptiness of the cinema in Lisbon's national library in deep dismay.

One of the two British delegates who did see the film was James Quinn, chairman of the National Panel for Film Festivals. At the next morning's assembly Quinn stood up and blasted the delegates for discourtesy. The parliamentarians excused themselves by saying they had been invited to a

dinner. The bureaucrats said nothing. When I spoke to Quinn yesterday he was still fuming. "When you are talking about horses, you should at least look at the stables occasionally," he remarked.

Talking big

As Yugoslavia awaits a valedictory speech from 88-year-old President Tito at the 11th Congress of the ruling League of Communists opening today in Belgrade, the cafes are alive with political jokes. Perhaps the best concerns Mirko, an old-line Stalinist, who decides that instead of going west, he will go to the Soviet Union in search of work. The first letter comes back to his friends. "This place is awful," he writes. "I earn 100 roubles a week, but a fried chicken alone costs eight roubles."

Mirko is soon afterwards visited by the KGB, which warns him of the possible consequences of slandering the Socialist motherland. So in his next letter Mirko writes: "Everything is wonderful here. I earn 100 roubles a week and I can buy a whole fried elephant for a mere six roubles. If you don't happen to like fried elephants, you can always add another two roubles and get a fried chicken."

Get plugged in

Readers may care to keep abreast of the new terminology of work. Yesterday I telephoned a Southern Electricity Board office to ask why a man had failed to appear to join up some wires last Friday. "He must have been over-programmed for that day," said a female voice. "You mean he was too busy?" I asked. "Yes. We shall re-programme the work for Tuesday."

Observer

Observer

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COLOUR AND FASHION • BY SUE CAMERON

Shades of things to come

FORECASTING COLOURS for the fashion industry is a high risk multi-million-pound business—the only certainty is that the Norwegians and the Japanese never wear purple.

The Japanese eschew the shade because it is an imperial colour, the hard line attitude of the Norwegians is more difficult to explain but presumably they find that purple does not suit them.

Such well documented national idiosyncrasies provide comfort for the UK textile and fashion industries. The chief danger to their profits lies not in producing too much fabric of the wrong colour—though that is a risk—but in failing to stockpile enough material of the right colour.

Marks and Spencer, for example, does not have racks of unsold dresses, skirts and shirts in its stores. Yet the company says that if it can meet demand for a new fashionable colour it can increase turnover by as much as 15 per cent. That could mean an extra £2m worth of sales in a single section of the company. By the same token, a mistake in colour forecasting can lead to a huge loss of potential sales.

It is estimated that about 60 per cent of all textiles manufactured in the UK are made up into clothes with roughly 15 per cent of the clothing industry's total output aimed at the high fashion end of the market where sales are heavily influenced by colour. This means that in any given year sales of approximately 200m square metres of fabric—worth in excess of £300m—would be at risk if the forecasts of colour experts proved to be wildly out.

In practice colour forecasts for women's clothes are largely based on the shades that sold well in the preceding year and

this introduces some measure of certainty into the colour business. The entire industry, from yarn spinners to retailers, also does its best to achieve a broad consensus on fashion colours for the coming seasons and this is done on an international basis. In some ways colour forecasting is a decidedly cautious and evolutionary process.

Today the public expects to be able to choose from a wide variety of shades and designs. On the other hand people can not afford to buy themselves completely new wardrobes every year, so they also demand a degree of continuity. The forecasters therefore have to come up with colours that will complement those worn 12 months previously while still being different enough to tempt customers into buying. And colour can tempt them. Marks and Spencer says: "It is the single most important selling point for clothes."

Initial cards

Work on colours and fabrics for a spring-summer or autumn-winter season of women's wear begins two years beforehand. Colour consultants, whether they work for big textile manufacturing concerns or for freelance organisations, have to take into account a wide range of factors when designing their initial colour cards.

Their first task is to look back over the two preceding seasons to see which colours sold well and to try to identify coming trends. It is thought most high fashion colours have a sales life of about three years, beginning often in a small way, reaching a peak in year two and then tailing off. The job of the forecasters is to assess how much vitality is left in the shades that

are already popular and to decide which of the new, up and coming colours is ripe for further exploitation.

Two important factors they have to consider are fabric trends and the shape of clothes to come. Softer outlines may call for light, delicate materials and pastel colours while a more tailored look is likely to require heavier fabrics and deeper shades. Judgments in this area are considerably complicated by the fact that textiles are constantly changing in response to the whims of fashion and the advance of technology.

For example, A. H. Beckman, a highly successful converter company—converters are the middle men who buy in grey cloth, have it dyed and printed and then sell it to the garment makers—reckons that about one-third of the fabrics in its range change completely every two years as some materials are phased out and others replace them. Beckman normally has a range of 30 to 35 cloths; so between ten and a dozen of them are involved in the biennial cycle at any one time.

This year the company's range includes 100 per cent cotton muslin which has sold well although from Beckman's viewpoint this particular material "didn't exist a year ago." At the same time the organisation reports that 100 per cent viscose moss crepe, once extremely popular, has now "fallen by the wayside."

The reason changing textile trends are so important for forecasters is that they have a strong influence on clothes design and therefore on colour. Some materials also look much better in certain colours than in others. For example, velvet has far more appeal when it comes in rich, dark colours than when

it has been dyed mauve or yellow.

In addition to fabric trends and overall dress design there are often a number of maverick influences which can have a considerable impact on final sales figures and which colour forecasters have to take into account. For example, punk rock, with its vivid kitsch colours is now filtering through to the general public in a modified form—last month the National Association of Scottish Woollen Manufacturers said its fabric collection for next year's spring-summer season would include "flashes of neon colour such as fuchsia pink and electric blue."

Experts

Once individual colour experts have completed work on their initial shade ranges, those working for the larger manufacturers and for the better established consultancies take their ideas to the British Textile Colour Group. This is where suggestions are discussed and hardened up or rejected. It is also where a British colour card, showing agreed shades for the coming season, is produced.

The British Textile Colour Group was formed in 1976 at the instigation of Deryck Healey International, a colour consultancy. It is the successor of the British Colour Council which lasted from 1931 to 1974 when it proved too unwieldy a body to be any longer viable. Among the organisations that send representatives to the British Textile Colour Group are ICI, Monsanto, Courtaulds, the International Wool Secretariat, the International Institute for Cotton, Tootal, Klopman and the Clothing Export Council. Many other countries have similar national groups that produce

shade cards and act as a forum for the discussion of colour trends. France, for example, has the Comité de Co-ordination des Industries de la Mode, which is subsidised by the French Federation of Textiles and Clothing Industries.

Once national colour cards have been produced they are taken forward to one or other of the various international colour organisations. The British card goes to Intercolour which is attended by representatives from Austria, Belgium, Bulgaria, Canada, Czechoslovakia, East Germany, West Germany, France, Holland, Hungary, Japan, Poland, Romania, Spain, Switzerland and the U.S.

The Intercolour meeting is brief and decisions on the international colour card seem to depend largely on who can shout loudest. Certainly, far less thought is put into the international shade card than into individual national ones, but the exercise is none the less valuable.

Modifications are usually made to initial colour ranges. For example, the colours of any cloth destined for the mail order market have to be given special consideration. Roughly 17 per cent of all women's wear is sold through mail order in the UK. In 1976 total mail order sales of women's clothing were estimated at £260m. It is therefore essential that all the colours used should look good not only on the finished garments but also on the printed pages of the catalogues. And it is important to ensure that only colours which can be accurately reproduced in print are included in a mail order range.

The deadlines to which colour forecasters have to work vary considerably. When yarn is dyed before being woven or



Floral prints such as this in blue or pink are in fashion for this summer season.

knitted into fabric, information on colour is required early. Spinners need information about 18 months before a season to market to weavers and knitters who will want to start production at least 15 months ahead of a given retail season. Some time will then be spent making up fabrics which have to be ready for the garment makers between nine and 12 months before the season begins. But woven or knitted fabric can also be dyed in the piece and this gives manufacturers and converters more leeway on timing.

The dyeing process itself presents comparatively few problems though occasionally there are not sufficient stocks of a particular dye to meet demand—this happened a few years ago when there was a sudden call for a crushed bilberry shade. Dye manufacturing lead times are fairly long—between three

and 12 months—so if stocks do run out the potential sales of a certain colour for that season are lost.

As soon as converters and textile manufacturers have decided on their colour ranges, they start sending out samples to their bigger customers. Total reckons to spend between £150,000 and £200,000 on the initial sampling of just eight of its new, piece dyed cloths, each of them in 12 colours. This would represent and take off. But once the season begins, the company's complete plain dye range and it would exclude colours appearing in the shops albeit mixed with some grey neutral tones. And the British Textile Colour Group card for with piece dyeing is to order quantities of grey cloth well in advance while at the same time reserving dyeing capacity. To what is planned. Ultimate sales will depend on the feminine whim.

until after sampling has been completed and analysed.

But despite sampling exercises and the efforts of colour forecasters to predict trends and capture the imaginations of the public, things can still go wrong. Marks and Spencer says there is always a chance that a colour will "come from nowhere" and take off. But once the season has started it may prove impossible to meet demand.

The outlook for women's clothes for the coming winter and for spring-summer 1979 is—literally—brighter. The company's complete plain dye range and it would exclude colours appearing in the shops albeit mixed with some grey neutral tones. And the British Textile Colour Group card for with piece dyeing is to order quantities of grey cloth well in advance while at the same time reserving dyeing capacity. To what is planned. Ultimate sales will depend on the feminine whim.

Defining audit qualification

From Mr. D. H. Cairns

Sir—It is a pleasure to appear from Michael Firth's article (June 15) that the stock market understands better than he what is and what is not an audit qualification.

The two types of "qualification" ("subsidiary audit" and "SSAP concurs"), which gave rise to the smaller movement in share price are merely explanations.

The departure by a company, with its auditors' concurrence, from an accounting standard is an indication that to comply with the standard would have been misleading. Consequently, the accounts still show, without qualification, a true and fair view.

The reference to subsidiaries being audited by other firms does nothing to absolve the holding company's auditors from the duty to report the group accounts, nor does it imply any part of the accounts are in any sense unsatisfactory. The statement is therefore meaningless to the users of accounts and it is time auditors stopped using it.

One of the objectives of the recently published draft auditing standards was to encourage auditors to make their reports clearer to the users of the accounts. This is a campaign I would support wholeheartedly. Nevertheless, Michael Firth's comments seem to imply that what is not always clear what is and what is not a qualification, the stock market is. It was perfectly right not to react to the two types of "qualification."

D. H. Cairns,
12, Fernley Court,
Harrow Lane, Maidenhead, Berks.

And the effect on share prices

From Mr. Ian Witter

Sir—Any attempt to quantify the impact of audit qualifications on share prices in the way described by Dr. Michael Firth (June 14) must be welcomed in such an otherwise imprecise field.

The study examined the movement of share prices around the time of the release of the audit qualifications for 247 companies. If, as was implied, the date in question was that of the publication of the Annual Report and Accounts it would appear to be naive in the sphere of correlating statistics to assume that the only paragraph in the Annual Report which affected the share price was the audit report. There may have been some way of isolating the effect of the audit qualifications from the other information appearing at the same time (such as the chairman's review). In the absence of this, however, it would appear to be unlikely that the statistics can be read upon to demonstrate that: "Clearly investors were using the audit qualification to alter the values of these securities."

Ian Witter,
24, Teclodale Place, Edinburgh.

Implications of Proposition 13

From Mr. A. Henney

Sir—Lombard's piece "The dangers of Proposition 13" on June 15 is too sanguine in its hope for rational tax reductions of the population. And even if it is possible in principle to reduce public expenditure by 20 or even 30 per cent and still maintain as good services by a combination of greater productivity, reallocation of resources from declining to increasing social needs, curbing of unproductive political ventures and reduction of over-enthusiastic subsidies. If it were

Letters to the Editor

done carefully over 5-7 years it should be possible to do it without causing undue increase in unemployment.

But do we live in the best of all political worlds? Despite public protests, only a minority of public officials and few politicians (of any party) are interested in doing anything to gain value for money (indeed many do not understand the concept and some abuse it). This is not surprising because they are neither rewarded nor constrained by efficiency, nor do they get pleasure out of the conflict involved. Most politicians seek election "to do things," and doing things costs money. Once elected they find that public expenditure provides power, patronage, and publicity, gifts which few relinquish voluntarily. Much of the political calculus is the balance between buying critical floating votes at the margin at the expense of either a large levy on the majority, while avoiding directly confronting major vested interests. Consideration of efficiency and equity is almost accidental. Over time the little levies mount and major interests consolidate.

We have recently reached the expenditure stops, and cut back a few per cent (mainly borne by the private sector). This is easy compared with a significant reduction in public expenditure. The Government appears reluctant to provide even the basic tools — freedom of information and generalised investigative committees. Surely the odds on rational and considerate self-reform are low. To avoid either more of the same, or possibly a big upheaval which would invariably hurt the weakest, perhaps we need more sensible British form of Proposition 13. Each party might make an election offer to host a referendum for a moderate percentage tax reduction (chosen by the party) for implementation 18 months later. Individual politicians would not have to carry the opprobrium of unpleasant decisions if the electorate called for cuts.

A. Henney,
38, Swains Lane, N6.

Who should decide to cut

From Mr. T. G. Arthur

Sir—I was saddened to see Peter Riddell (Lombard, June 15) repeating some of the fallacies surrounding public spending, and indeed committing an error identical to that of which he accuses the referendum voters in California's Proposition 13.

He argues that the referendum route does not allow a balanced consideration of the consequences of tax-cutting, accuses voters of seeing only one side of the question, and prefers that decisions of this nature should be taken by "representatives."

The first major flaw here is that if voters cannot be trusted to take proper decisions on specific issues which directly concern them, their decisions in choosing representatives must be classed as almost worthless. The chain via which a voter's wishes on specific issues are reflected in policy when all he can do is to put a cross by the name of a candidate, is so weak that no incentive whatsoever is given to the sensible casting of votes.

Second, representatives do not normally know what the wishes of the population are. And even if they did, it is highly doubtful whether they would act accordingly. The trouble with representatives is that they have their own interests to guard and expand, interests which nearly always point to bigger government.

The "Choice in Welfare" surveys of the Institute of Economic Affairs admirably

illustrate this contention. As early as 1963, when public spending in real terms was little more than half its current level, these surveys were suggesting that the public would prefer a much lower State element and a much higher private element in education, health, and welfare. But what has happened?

So much for representatives. Mr. Riddell would never have us believe that voters don't know what they're about; they only consider half the question. Yet surely Mr. Riddell is guilty of this very error, in telling us that public spending cuts will lead, in the long term, to inadequate services. The other half of this question is that public sector losses are private sector gains. Individuals are quite capable of spending money (indeed they do) on private education, private charities, and even private protection services. (There is more to protection than driving about looking for criminals.) Private institutions in these areas are quite capable of expanding to match and will not take long to do so. And what on earth makes Mr. Riddell think that public welfare, dished out by representatives, is of net benefit to the poor?

It is not at all surprising that voters are beginning to take matters into their own hands. What else can they do, after helplessly watching the inexorable growth of the Government machine, year after year? And after all these years, Mr. Riddell's most sympathetic comment is that "there is certainly a strong case for limiting the growth of the public sector." Limiting the growth? No phrase better illustrates the gulf between the representatives and the people!

T. G. Arthur,
3, Yateley Road,
Edgbaston, Birmingham.

Cheap calls on bank holidays

From Mr. Harry Verney

Sir—Mr. Burby urges us to telephone more, have extra telephones, etc., but he could increase my usage of the telephone by extending the cheap rate to all day on a bank holiday, when I am sitting in my home branch rather than in my business tree!

The cheap rate happens at Christmas and the New Year, but please will the Post Office extend this to other bank holidays?

I appreciate that telephone operators need the day off, but surely putting at least half calls on to cheap rate would encourage us to buzz our friends more!

Harry Verney,
Edgell, Camden Park,
Tunbridge Wells, Kent.

Claiming on knock for knock

From Mr. Allan M. Corey

Sir—I write with reference to your article "Defeating Knock for Knock" on page 6 of your last Saturday edition. I fully agree with your correspondent that the other party in a motor accident is 100 per cent to blame then he should be pursued for 100 per cent of your losses—but to comply with your own insurance policy conditions and to maintain utmost good faith the incident should be reported on the appropriate form to your own insurers. The company handles approximately 1,500 motor accidents per annum and wherever possible we pursue 100 per cent claims against the third party on behalf of our clients.

The "knock for knock" agreements are, of course, agreements between insurers only, and policyholders and indeed their insurance brokers are not party to such agreements. Having said

that we thoroughly agree with your correspondent we have been told by one of the leading motor insurance companies in this country that if we continue to handle motor claims in this way (which they argue is professionally against the spirit of the agreement!) then such company will not accept any further business from us.

I thought I would bring this point to your attention as a reader who took your correspondent's advice should be aware that in some circumstances he could prejudice his future insurance position. I am quite sure your correspondent will cry out that I am totally wrong, but if he cares to speak to me on the telephone can give him full details.

Allan M. Corey, director,
Covey & Somerset (London) Ltd.,
141, Cricklewood Broadway,
NW2.

Time to deliver a letter

From Mr. J. H. Hurst

Sir—Anent Mr. Riley's letter (June 18), may I underline his comments on the Post Office. In my business life and, generally, that letters carrying both first class stamp and the relevant postcode, do tend to arrive at their destinations within an average of 24 hours, across the country.

For example, I add a word of praise, and thanks, for the postmen of Maidstone for their efforts this week. My grand-daughter wrote from South-West London to thank my wife for her birthday present. She is six, and her covering envelope was addressed as follows:

Mrs. Hurst, Willerhead Rd.,
Coxhurst, Maidstone.
That letter was posted on the afternoon of June 13 and delivered on the morning of June 15. Full marks to the Kent Post Office.
J. H. Hurst,
"Jasmara,"
20 Willerhead Road,
Coxheath, Maidstone, Kent.

Transport strategy

From the President, The British Transport Officers' Guild

Sir—You report and leader (June 14) on the Greater London Council's 15-year plan for London's roads highlight the reason why so many similar schemes receive a "lukewarm welcome" and/or "generate major rows" between the political parties.

While your leader writer welcomes the GLC "fulfilling its role as a strategic planning authority," the question that must be asked is how logical and practicable are the proposals from a total transport strategy point of view.

For example, your leader despairs of "road freight from the Channel ports" clawing "its way through London's inadequate road systems for many years yet." Don't we all? But do we really need new roads to correct this situation?

We have no doubt that the GLC has views on the total transport situation and where and how investment in the various transport modes would be most effective. It is to be hoped that the absence of reference to them in the report is not due to the complete omission of such an important matter from the report itself. To produce proposals in a report of this kind without taking the opportunity to indicate total strategic thinking would only fuel sterile arguments.

Henry Haydon,
Horns 207, West Side Offices
Kings Cross Station, N1.

Today's Events

GENERAL
Unemployment figures and unfilled vacancies (June provisional).
Mr. Denis Healey, Chancellor of the Exchequer, meets CBI in discussions on moves for shorter working week.
Second day of Ministerial meeting of EEC Agriculture and Fisheries, Luxembourg.
Meeting continues in Washington between trade negotiators for U.S., EEC, Japan and Canada in talks to narrow outstanding differences.
British Institute of Management conference "Energy 2000"—speakers and panellists include leaders of U.K.'s energy industry and those responsible for formulating a national energy policy, Mount Royal Hotel, W1.
Second of six planned monthly

gold sales by U.S. (each of 300,000 ozs) to re-establish stability of the dollar in foreign exchange markets.
Yugoslav Communist Party Congress opens, Belgrade (ends June 23).
Second in series of Department of Industry international conferences on Computer Aided Manufacture, National Energy Laboratory, East Kilbride, Glasgow (until June 22).
Liberian Board of Inquiry into Amoco Cadiz disaster continues in London.
Union of Independent Companies' statement on industrial strategy.
Robert Von Hirsch collection

sale begins, Sotheby's, New Bond Street, London (until June 27).
Confederation of Health Service Employees conference continues, Scarborough.
British Army Equipment Exhibition continues, Aldershot.
National Graphical Association conference continues, Isle of Man.
Lord Mayor of London attends piano recital given by Professor Irene Kohler in aid of the Malcolm Sargeant Cancer Fund for children, Mansion House, EC, 7.30 pm.
PARLIAMENTARY BUSINESS
House of Commons: Northern Ireland orders, including ones on education, pollution and planning.
House of Lords: Electricity Bill, second reading. National Health Service Bill, second reading. Scotland Bill, report stage, final day. Protection of Children Bill.

OFFICIAL STATISTICS
New construction orders (April). Gross domestic product (1st qtr. provisional).
COMPANY RESULTS
Allied Breweries (half-year). Plessey Company (full year). Powell Duffryn (full year).
COMPANY MEETINGS
Beralt Tin Wolfarm, Connaught Rooms, Great Queen Street, W. 12. Bodycote International, Manchester, 12.30. Brooks, Poole, 10.45. Estates Duties Investment Trust, 91, Waterloo Road, SE. 10.45. W. Runciman, 32, Leadenhall Street, EC. 12. Vernon Education, pollution and planning. Fashion, Great Eastern Hotel, EC. 12.

Some facts and figures for people who still think protection's a racket.

Last year in the U.K., some 3,000 of these, on static and beat patrols locked and closed 222,543 of these, and closed 363,212 of these, found 3,356 open, took charge of 60,157 lost, discovered 7,033 criminal offences, arrested 685, found 22,924 people in places where they shouldn't have been, searched 479,870, and 199,501, switched off (ANDON) 846,149 of these, turned off 1,777 of these, & 10,403 of these, discovered 438 of these, and extinguished another 430, rendered to 2,657 people... and, all in all, literally saved our clients and the country a fortune.

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Petbow higher and sees more

ON A 23 per cent increase in sales to £22.3m, pre-tax profit of £1.42m, Petbow Holdings, generating equipment and welding plant manufacturers, rose 13 per cent from £2.7m to a record £3.14m for the year to March 31, 1978.

With a satisfactory order book and a higher rate of production the group is now budgeting for further improved sales and profits in the current year, says Mr. James Bird, the chairman.

Earnings per 10p share are shown by £1.42p to 33.84p before extraordinary items. The final dividend—proposed on a gross basis—because of the possible reduction in the rate of ACP—is raised from 7.4p to 8.50p lifting the total for the year from 11.84p to 13.05p, the maximum permitted.

This represents a net final on the current tax basis up from 4.53p to 5.61p and a total for the year of 8.81p (7.77p).

Mr. Bird says the group has held its share of world markets and at the same time continued its exercise of strengthening overseas management resources of the group. Turnover increased in the year and borrowings were reduced.

Exports led the expansion in sales, increasing to £16.35m, representing 77 per cent of total output. UK sales also rose despite a relatively depressed home market, and the company has continued its penetration into the EEC, he says.

The closure of the Australian subsidiaries has been concluded, with the exception of one final contract which will be completed during 1978-79. The anticipated losses incurred in the shutdown are as originally forecast, and the low state of the Australian market has justified the decision to close the manufacturing facilities there.

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Courtaulds profit £4m overstated—auditors

TAXABLE PROFIT of Courtaulds for 1977-78 was overstated by £4m say the auditors Price Waterhouse and Company. This resulted from the group's failure to apply the relevant accounting standard in regard to regional development grants and the auditors qualify their report in this respect.

In producing the published profit of £3.7m (£3.9m) for the year to March 31, 1978, the company credited these grants over a period during which the matching start-up costs and running losses are expected to be incurred. Under SSAP 4 grants should be credited over the expected useful life of the asset concerned. The effect on the previous year's figures was an overstatement of £700,000.

On a current cost basis profit for 1977-78 could have been cut to £1.0m (£1.2m) after extra depreciation of £3.5m (£4.5m) and £1.0m (£1.5m) for the replacement cost of stocks, less gearing adjustment of £2.5m (£3.0m).

Capital spending last year at £5.6m was at a lower level than for some time the directors say. This was because in recent years sums have been invested in new plant and equipment particularly on the fibre and textile side, which is expected to earn a proper return.

The emphasis has thus been on improving the quality and competitiveness of the group's products in international markets for the textiles already created rather than enlarging them.

Substantial spending has been committed to the modernising of the UK paint factories by Inter-

national Paint, which increased profits last year, and to the continued expansion by British Celophane of its polypropylene film plant as well as to the improvement of their film converting facilities. At the beginning of the current year capital expenditure authorised and outstanding amounted to £27.8m (£24m).

Capital spending last year was furnished from the company's current cash earnings. New borrowings net of repayments during the period amounted to £3.1m including the raising of a £20m 9½ per cent sterling foreign currency guaranteed loan in 1980 in December and early repayment of the DM 92m 6½ per cent bonds in 1984.

As reported on May 26 in a depressed market at home and abroad external sales rose 4 per cent to £1.58bn (£1.51bn). The net dividend is raised to 2.25p (2.0125p) per 25p share.

Working capital was down £9.2m (up £8.1m) but balances at bank and on deposit were up £30.3m. With bought-in materials and services at 297.2m (£296.3m) the value added during the year was maintained at £603.7m (£603.8m).

In the UK domestic market the general lack of confidence during 1977-78 led to stock reductions in the textile chain. Other adverse factors were an increase in fibre imports and a fall in fabric exports, the effects of which were only partly offset by a marked

improvement in exports of clothing. The overall effect was a sharp reduction in demand on UK man-made fibre producers.

Of the new multi-fibre arrangement which is intended to regulate low-cost imports, the directors say provided monitoring is effective, there is hope that the increase in low-cost imports will be more closely in line with the growth in the EEC market than in the past.

However, the new arrangement lasts only four years and gives little time for the necessary restructuring to take place. Man-made fibre production in the UK declined by 11 per cent from the previous year's level which itself represented a significant decline from the record level of 1975. Profit margins in domestic and export markets were reduced significantly. This was due in part to the financial and general market conditions. In addition fibre capacities, especially for the synthetics, everywhere remain far in excess of any likely demand for some years to come.

With slightly better trading for UK clothing suppliers to the home market the group made progress on many fronts in its consumer product activities with some advance in profits overall. Against a background of excess world capacity in packaging films, British Celophane had a difficult trading year. Manufacturing units in both the UK and overseas operated below capacity for much of the time. Margins were squeezed by higher costs and lower export prices and profit here fell from 29.3m (£15.6m).

Meeting, Warrimore Hall, W. July 19, at noon.

Whitbread aims to lift return

WHITBREAD AND CO. is aiming to increase the return on its UK assets and to more than double the share of profits earned overseas.

Mr. C. H. Tidbury, the chairman, says in his annual statement that its first aim is to increase the comparatively low return on capital in the UK—a problem which he says is not peculiar to Whitbread and is now acknowledged by the Price Commission.

The second is to increase the share of profit earned overseas from the current level of some 8 per cent to 20 per cent within the next five years.

On the trading side, the improved trend seen in the second half of the February 25, 1978, year has continued into the current

year and he is confident the group will make further progress at home and abroad.

He says the regained momentum of its larger brands is particularly encouraging. Another year of growth for its lagers and special exports has also been achieved.

Exporters have also done well although a promising start in Nigeria was hampered by import restrictions. Alternative arrangements to brew locally have been sought.

With brewing under licence, directors are still optimistic over the New Zealand market while Mackeson continues to establish itself as an international brand. Arrangements have been concluded to brew at the Windward and Leeward Brewery at St. Lucia

in the Caribbean, and progress is also being made in Trinidad and Jamaica.

Wine and spirit retailing in the UK is seen as a potential growth area for Whitbread.

A current cost statement with accounts shows the £43.5m historical pre-tax profit cut to £31.7m by additional depreciation of £11.8m, a £4.4m cost of sales, offset by a £3.4m gearing adjustment.

Accounts show fixed assets ahead from £35.43m to £40.73m and net current assets up from £61.63m to £69.2m. There was a 50.45m decrease (£31.7m increase) in liquid funds in the year.

Meeting, Chiswell Street, EC. July 18 at noon.

Hammerson staying out of UK market

The Hammerson Property and Investment Trust is unlikely to undertake any new developments in the UK in the foreseeable future, Mr. Sydney Mason, the chairman, confirmed at yesterday's annual meeting. Longer term, however, Mr. Mason believes that opportunities may arise for a modest degree of central London office developments and for the limited provision of shopping facilities.

The current portfolio contains five development sites: two in Australia, two in Vancouver and one in Reading. In reply to questioning Mr. Mason said that the group aimed at a return of 8½ per cent per cent at minimum over and above the cost of money on any new development.

So far as the existing portfolio was concerned Mr. Mason declined to quantify the current net asset value per share. However, he said that Woolgate House, which is valued in the books at its £25m original cost, was presently worth between £40m and £50m.

Summing up the current financial position of the company

Mr. Mason said that any problems were not largely over. He intended to reduce short-term borrowings further by way of sales of properties but these would not be on a large scale.

In fact he was relatively happy about the level of short-term borrowings and also about the group's accounting practices, where no changes—particularly with regard to the capitalisation of interest—are planned.

Baraora Tea pays 20p

Following the recovery from a loss in 1976, pre-tax profits of Baraora Tea Holdings moved up from £76,960 to £83,378 in 1977. A second interim dividend of 20p is declared, taking the total up to 20p net of the dividend, totalling 50p gross in respect of 1977.

Turnover amounted to £1,881,836 (£1,372,384). After tax of £506,691

(£282,520), earnings per 25p share came through at 45.5p (46.2p).

McInerney reaches £0.9m—to pay interim

An advance in taxable earnings from £40,821 to £50,877 in the second half of 1977 by McInerney Properties lifted full-time profit from a depressed £32,621 to £90,297. Sales by the Irish-based construction group, which has interests in the Midland Hotel and the UK, slipped £0.36m to £28.97m.

Again no dividend is to be paid for the year—the last payment being 6p for 1973 from profit of £1.0m. However, the company is to return to the dividend list with a 10p interim for 1978 of 2p per top share.

After tax of £302,700 (£385,705), earnings per share emerged more than doubled at 3.17p (2.17p).

Brown Shipley expects insurance recovery

The period of political and economic uncertainty which faces the UK makes prospects for the banking group of Brown Shipley Holdings particularly difficult to forecast, but directors are confident that the insurance group's overseas earnings will provide the basis for good recovery in that

side of the business, Lord Farnham, the chairman, says in his annual statement.

In the March 31, 1978 year the insurance side had difficulties with growth of earnings restrained by the generally low level of economic activity and the depressed state of world trade. The contribution was down from £0.58m to £0.5m.

Lord Farnham says that although the overall level of underlying business overseas was maintained the increase in the value of the portfolio, particularly in the second half, was the main factor influencing the result.

On the banking side, where profits rose 23 per cent to £1.51m, the movements in interest rates and in the value of the pound made it possible to earn good

profits from foreign exchange dealings. Investment trading and money market operations, although overall demand for credit remained low, the leasing business was buoyant, and assets held for leasing increased from £7.28m to £11.47m.

The stake in Trinity Bank of Dublin was increased to 65 per cent in the year and directors are confident that in due course it will make a valuable profit contribution.

The group plans to spend £1m on modernising its freehold premises at Haywards Heath and installing a computer centre there.

Accounts show current deposit and other accounts—including inner reserves and tax—up from £152.2m to £178.54m, and loans, advances and other accounts virtually static at £61.78m (£60.1m). At the same time holdings of Treasury Bills, bills discounted and certificates of deposit rose from £16.36m to £22m, and British Government and local authority securities holdings doubled from £7.18m to £14.36m.

Meeting, Founders Court, EC. July 12 at 12.30 pm.

It's what we've got behind us that puts us out in front.

When you fly with Group 4, you enjoy all the benefits private aviation has to offer. Plus a few others that the others can't provide.

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Put it all behind you.

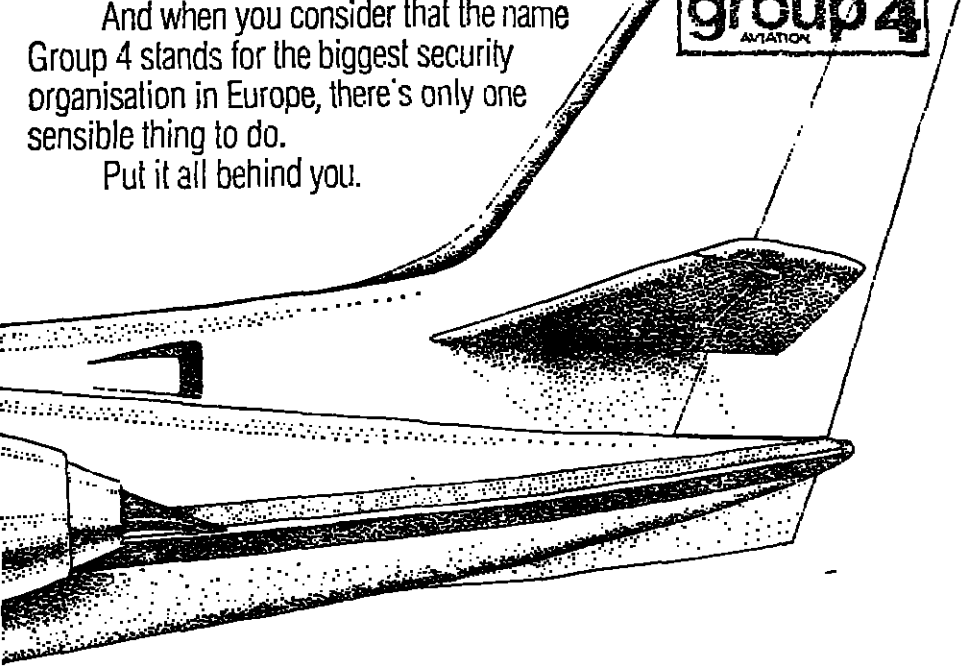


group 4
AVIATION

Group 4 Aviation Limited,
Head Office: Staverton Airport,
Nr. Cheltenham, Gloucestershire,
England.
Tel: Churchdown (STD 0452)
855877
Telex 43607



group 4
AVIATION



THE LILLESALL GROUP

Preliminary Announcement

Group Results—for the period ended 31st December 1977			
	1977	1976	
Turnover	£9,863,015	£9,965,610	
Profit before Tax	130,305	27,846	
Profit after Tax	149,686	48,829	
(before extraordinary items)			
Extraordinary Profit/(Loss)	35,908	(267,941)	
Net Profit/(Loss)	185,594	(219,112)	
Retained Surplus (Deficit)	139,779	(269,431)	
Ordinary Dividends Interim	5%	10%	
Final	12.5%	5%	
Earnings per 10p ordinary share	6.5p	1.9p	

Subject to the confirmation of the shareholders at the Annual General Meeting to be held on 12th July 1978, the final dividend will be payable on 13th July 1978 to holders of ordinary stock registered on 29th June 1978.

Steel stockholding has been adversely affected by the general recession in the steel industry but turnover has been maintained under highly competitive conditions.

In engineering the year has been one of consolidation and reorganisation. Total turnover has been increased and trading losses considerably reduced.

The improvements made in the steel rolling plant have helped the contribution that this division has made to group profit during the worst period of recession since the early 1930's.

Under extraordinary items there is a profit of £34,077 on the realisation of our investment in Nigeria.

Our activities are now centred on steel and engineering which will provide a firm working base for the future. The recession in the steel industry continues, and does not look like improving for some time to come. Given reasonable trading conditions however the company will prosper and the profit of the Group so far this year is in excess of the profit for the same period last year.

Allan R. Pike, Chairman

THE LILLESALL COMPANY LIMITED

ST. GEORGE'S, TELFORD, SALOP TF2 9BQ

WILLIAM LEECH (BUILDERS) LTD

YEAR ENDED 28.2.78.

	1978	1977
TURNOVER	£000 30,820	£000 25,943
PROFIT AFTER TAXATION	1,790	2,409
EARNINGS PER SHARE	14.9p	21.0p
DIVIDEND: Interim already paid	2.5p	2.5p
Final proposed	3.5p	2.5p
	6.0p	5.0p

SUMMARY OF CHAIRMAN'S REMARKS

- Whilst a reduction in profit is never welcome, I firmly believe that in the context of the building industry last year these results are a particularly sound achievement.
- The group has decided to adopt the proposals outlined in the exposure draft 'Accounting for Deferred Taxation (ED10)'. As your Board feels it is unlikely any tax will be payable in the foreseeable future, the deferred taxation liability shown in the 1977 accounts has been credited to reserves. This, together with the profit for the year, has the effect of increasing the shareholders' funds from £69m last year to £118.7m, thus giving an underlying value at cost of almost £1 per share.
- It is proposed to pay a final dividend of 3.5p per share, making 6.0p (5.0p) for the year.

J. ADAMSON
City House, City Road, Newcastle upon Tyne.

Milbury Limited

Highlights for the year to 31st March, 1978

Turnover	£5,668,722	an increase of 27.47%
Profit before Tax	£801,593	an increase of 24.14%
Dividend	4-8p	an increase of 106.66%
Earnings per share	25-32p	an increase of 21.32%

Copies of the Annual accounts may be obtained from the Secretary, Milbury Limited, 778 Old Wellington Road, Eccles, Manchester M30 9QP.

Fenner Interim Announcement

MARKET POSITION CONSOLIDATED

	Half Year Ended 4th March 1978 (unaudited)	Half Year Ended 28th February 1977 (unaudited)
External turnover	£38,675	£35,126
Profit before taxation	3,641	3,285
Profit after taxation	1,591	1,435
Earnings for ordinary shareholders	1,427	1,235
Dividends to ordinary shareholders	771	639
Retained profit	656	639
Earnings per share	6.58p	5.69p

- Turnover increased by 10%
- Pre-tax profit increased by 11%
- Post-tax profit increased by 11%
- Earnings per share up from 5.69p to 6.58p
- Dividend increased
- Dawson acquisition concluded

Extract from Chairman's statement

"Overall, the Group has made progress during the first half year despite adverse trading conditions overseas."

J H FENNER & CO (HOLDINGS) LTD

The Fenner Group is principally concerned with the manufacture of power transmission equipment, industrial conveyor beltings, materials handling systems and fluid seals.

NatWest Registrars Department

National Westminster Bank Limited has been appointed Registrar of

GNOME PHOTOGRAPHIC PRODUCTS LIMITED

All documents for registration and correspondence should in future be sent to:

National Westminster Bank Limited
Registrar's Department
PO Box No 82
National Westminster Court
37 Broad Street
Bristol BS9 7NH.

Telephone Bristol (STD Code 0272)
Register enquiries 290711
Other matters 297144

Brown Shipley

Extracts from the Annual Statement by Lord Farnham, Chairman of Brown Shipley Holdings Limited, for the year ended 31st March, 1978.

With world trade sluggish and economic activity remaining at a low level, movements in financial markets were once again the dominating feature of the year for both banking and insurance broking.

Sterling interest rates declined steeply during most of 1977, only to be reversed during the last quarter, with rates today very similar to those ruling in March 1977. Similarly the value of the pound fluctuated sharply, the rate against the dollar moving from \$1.72 in March 1977 to a peak of almost \$2.00 in January and ending at \$1.86 in March 1978.

The Banking Group was able to take advantage of the opportunities these sharp movements offered but the Insurance Group, with approximately half its brokerage income earned overseas, was adversely affected by the change in the value of the pound.

Result for the Year

Group profit, after taxation and transfer to inner reserve, amounted to £1,693,000 (£1,482,000). A final dividend of 5.264p is recommended, bringing the total for the year to 9.264p, and represents the maximum increase permitted.

Group disclosed reserves increased by £2,675,000, which includes retained profit of £1,180,000, realised capital profits of the investment trusts of £882,000 and £732,000 from the sale of No. 4 Moorgate.

Banking

In a year of considerable activity banking profit increased by 23 per cent from £1,058,000 to £1,310,000. Although overall demand for credit remained low, good profits were earned from foreign exchange dealing, investment trading and money market operations and business with customers in raw material fields was again active. Leasing business was very buoyant and assets held increased from £7,784,000 to £11,472,000.

Insurance

Our Insurance Group had a difficult year, with growth of earnings still being restrained by the low level of economic activity and the depressed state of world trade. The result was disappointing and pre tax profit declined from £890,000 to £796,000. Although the overall level of our underlying business overseas was well maintained, the increased relative value of the pound was the main single influence.

The Future

Fluctuations in financial markets bring difficulties not only to our own business but also to many of our customers. It is disappointing that their adverse effect on confidence is still with us. We hope that achievement of more stable conditions will be given a high priority. Your company stands to gain far more from a healthy resurgence of industrial activity based on stability and confidence than from alertness in identifying opportunities in uncertain times. The period of political and economic uncertainty facing us makes prospects for our Banking Group particularly difficult to forecast but we are confident that the Insurance Group's overseas earnings will provide the basis for a good recovery in that side of our business.

Year ended 31st March	1978	1977
	£000	£000
Profit of the Banking Group after tax and transfer to inner reserve	1,310	1,058
Profit of Parent Company and Insurance Group after tax	383	424
Net profit of the Group	1,693	1,482
Dividends	513	456
Retained profit	1,180	1,026
Other net increases in reserves	1,495	(129)
Total gross assets	221,845	192,470
Shareholders funds	15,798	13,123

The full Annual Report and Accounts and Chairman's Statement may be obtained from The Secretary.

Brown Shipley Holdings Limited

Founders Court, Lothbury, London EC2R 7HE

MINING NEWS

More Australian coal deals

BY KENNETH MARSTON, MINING EDITOR

WHILE Australia's potential producers of uranium continue to wait for permission to start mine development, the country's coal producers continue to play their part in meeting the world's energy demands.

Of the latest Australian coal export contracts to be announced new deals worth more than \$300m (£210m) have been written by the big Utah Development group. Australia's leading profit-earner, which is 89.2 per cent owned by America's Utah International and 10.8 per cent by Utah Mining Australia.

The importance of the latest Utah contracts is that they provide justification for the \$250m Norwich Park coal development in Queensland and give the company diversification from its sales to the Japanese steel industry; the new contracts are with British Steel, Romania, South Korea and Brazil.

Steaming coal export contracts with Israel, which could be worth some \$150m, are reported to have been secured by Coal and Allied Industries (CAIL) and the Oakbridge group. The coal is to be supplied to the Israeli Electric Corporation for its new plant at Hadera which is due to start up in 1980.

State and Federal Government approval is needed for the CAIL and Oakbridge deals. An important consideration for the CAIL group is that the Israeli deal will provide an outlet for the new Warburton coal mine in the Hunter Valley of New South Wales. Last month the Howard Smith group and Rio Tinto-Zinc's 72.6 per cent-owned Conzinc Riotinto of Australia dropped a joint \$87m take-over bid for CAIL, but Howard Smith has since increased its holding in the coal concern to 50 per cent.

The basis of the bid was abandonment of the long-standing joint take-over of CAIL was NSW Government reluctance to market.

Japanese sign S. African iron ore contract

ASSOCIATED MANGANESE, in which the Anglovaal Group is a major shareholder, is to supply 430,000 tonnes of iron ore to a Japanese steel mill over the year to next April, will shipments starting in October, reports Richard Rolfe from Johannesburg.

The five steel producers are Sumitomo, Nippon Steel, Nippon Kokan, Kobe and Kawasaki. No new capacity will be needed to meet the order, according to Associated Manganese. The Anglovaal Group's iron ore output was down from 754,000 tonnes in 1976 to 556,000 tonnes in 1977. Manganese exports over the same period fell from 1.7m to 1.6m tonnes.

Dickenson absorbs Robin Red Lake

DICKENSON MINES and Robin Red Lake Mines, two Ontario gold producers, are to amalgamate, reports John Saganich from Toronto.

The companies are already closely linked. Dickenson owns 74.4 per cent of Robin Red. Robin's ore is milled in the Dickenson plant on a fee basis. Dickenson shareholders will receive one share in the amalgamated company for one Dickenson share. Robin shareholders will receive one share for every two and a half Robin shares.

The aim of the transaction, which will be put to company meetings on June 30, is to create a stronger corporate unit with an enhanced capability to secure substantial financing. Both companies have seen earnings recover on the back of the higher bullion price. Dickenson had 1977 first quarter profit of \$442,000 (£209,100) compared with \$316,000 in the first three months of 1977, while the comparable figures for Robin were \$319,000 (£32,373) and \$314,000. The higher bullion price has also helped Northair Mines, whose Brandywine Falls gold-silver-lead-zinc mine, 73 miles north of Vancouver has recently completed its first full year of production.

With the current stabilised gold and silver prices, and anticipated price increases in the near and longer term, it is management's opinion that the debt will be repaid by the end of the current fiscal year. Mr. Donald McLeod, the president said.

At the end of last month, Northair's debt to the Royal Bank of Canada stood at \$81.5m (£732,500), having been reduced by more than \$35m since March 1977.

Meanwhile Cochenour Williams Gold Mines, a former Ontario producer which last paid dividends in 1968 and still controls properties in the Red Lake area, is joining the amalgamation with Campbell Red Lake Mines.

The idea is for Campbell Red Lake to undertake exploration, Consolidated Marcus Gold Mines, a Cochenour subsidiary.

Campbell Red Lake is 57 per cent owned by Dome Mines, which recently received a parcel of shares in Denison Mines, when Dome purchased a 10.1 per cent Denison stake.

Market talk in Toronto has

thrown up suggestions that Dome is about to bid for Denison but this is rejected by top management in both companies as having no basis in fact. For Dome the stake is a simple investment and it is understood they are not seeking representation on the Denison board.

COPPER STRIKE IN INDIA

Rich deposits of tin and copper have been located in the tribal district of Bastar in Madhya Pradesh, the state's chief minister, Mr. Virendra Kumar Saklecha, announced. The copper deposits were discovered during excavations aimed at assessing the possibility of commercial tin mining in the district, writes K. N. Sharma from New Delhi.

Mr. Saklecha said it is now established that tin deposits can be commercially exploited. This is to be done by the State Government's mining agencies. An assessment of the copper deposits in Bastar is being made and the Chief Minister expects a favourable report since the mine is pre-occupied in adjacent areas. A copper mine is already being operated in Balaghat district of the State.

ROUND-UP

In Sydney, Pacific Copper said it had acquired a 10 per cent contributing stake in a uranium prospect, 100 km east of Yellowknife in the Northwest Territories of Canada. The Canadian-owned Pacific Copper Mines holds 50 per cent and the vendors of the prospect own the remaining 10 per cent.

In order to take up its 25 per cent entitlement in the Deekraal Gold rights issue and avoid investing fresh funds in South Africa, London's Consolidated Gold Fields has sold 300,000 shares in Gold Fields of South Africa. This reduces the parent's holding in the latter from 49 per cent to 45.9 per cent.

Arco Steel, is building an experimental deep mine in Oklahoma and could later exploit 12m tons of metallurgical coal in its exploration zone. Most deep mining operations in the state have been abandoned because of methane gas, thin seams and questionable roof conditions.

expire on May 31, 1982 and is unsecured, interest being fixed by reference to the London Euro-currency inter-bank rate. Sir Keith explains.

Following an investment of £1m during the year, the company now holds 20.2 per cent of the capital of Agricultural Land Improvement Holdings and directors regard this investment as being of a long-term nature.

The chairman reports that the company's long-standing investment policy has been broadly maintained and is designed to continue to provide income and therefore dividend, and at the same time, provide long term growth of capital. Geographical emphasis continues to be concentrated in the UK and the U.S.

However, the company is seeking to increase its direct exposure in the U.S. in such a way not to prejudice its dividend record and therefore the increase in its U.S. portfolio must be a gradual process, Sir Keith adds.

The directors believe that the company should fully maintain its investment abroad through its holdings in British companies trading overseas; for this indirect foreign content has always represented a high percentage of its portfolio, the chairman points out.

The directors intend to propose a special resolution at the AGM to amend the articles of association in order to give the Board power to fix the rate of fee payable to non-executive directors up to a maximum of £3,000 per annum. It is the Board's intention to increase the present fee of £2,000 by 10 per cent with effect from April 1, 1978.

BIDS AND DEALS

Crescent Growth Fund N. American expansion

BY ERIC SHORT

Crescent Unit Trust Managers is seeking approval from unit holders to change the name and investment policy of Crescent Growth Fund and for the adoption of a new trust deed.

The managers want to change the name to Crescent American Fund and while the investment objective will still remain long term capital appreciation, they aim by directing the investment either exclusively or predominantly in North American companies with above average growth prospects.

The Crescent Growth Fund was established in November, 1968, with the aim of providing long term growth prospects—at a time when it was fashionable to go for growth and a number of growth funds were launched by various unit trust groups. The fund has not been popular with investors compared with the others in the Crescent stable, its value at May 1, 1978 being

£726,000 with 835 unitholders. Since its investment aims and portfolio distribution are similar to that of the Crescent Reserves Fund, which has over 10,000 unitholders and is valued at £10m.

The managers are anxious to launch an American fund; such funds proving this year's best sellers. It would join the two existing overseas funds—the Crescent International Fund and the newly launched Crescent Tokyo Fund. The proposed move winds up a small fund and at the same time launches a new fund.

ESS-FOOD STAKE IN DANISH BACON. The Danish Bacon Company has been notified that the Danish bacon factories in Denmark have each agreed to sell 20 per cent of their holdings of "B" ordinary shares of £1 each in Danish Bacon to Ess-Food, the Copenhagen-based central organisation for the

co-ordination of the export of bacon from Danish bacon factories. The number of shares to be sold will be 44,929 at 115p per share. On completion Ess-Food will hold 19.22 per cent of the "B" ordinary shares representing 11.23 per cent of the ordinary capital of Danish Bacon.

The directors say they look forward to the close co-operation with Ess-Food that this direct financial link will facilitate. Mr. Sverre Bernsen, of Ess-Food (IFK) was appointed to the Board of Danish Bacon Company on June 16.

HOVERINGHAM. Mr. G. H. Christopher Needler, yesterday said in a circular to shareholders on its recent acquisition of Superior Sand and Gravel in Houston, Texas, that the introduction of Hoveringham's skills and experience together with the balance satisfied by the issue of 61 per cent unsecured debentures redeemable in 1981.

Owen Owen said that it expects Suters' profits—last year £157,000—will be improved once the two stores have been fully integrated into its organisation. Guinness Mahon and Co., the London-based merchant banking subsidiary, has arranged much of the finance including the export credits. Guinness Mahon Executive and Trustee Company has been appointed to act as agent for all the lenders; the group's merchanting division has advised on the purchase and supply of plant and equipment; and Fenchurch Insurance Brokers Group is advising on various aspects relating to insurance. In addition, GPI has signed an export marketing agreement with Selsit to organise and administer the export of meat and certain by-products.

HOWARD TENENS. Howard Tenens Services and Paktrans, the export and distribution division of the Pakhord Group, have reached agreement for Paktrans to acquire the Air Wineate division, the UK air freight forwarding subsidiary of Tenens. The sale is subject to contract and formal approval by the Bank of England.

OWEN OWEN. Owen Owen, the Liverpool stores group, has completed its £235m acquisition of Suters which operates two department stores at Slough and Uxbridge. The group paid £17.3m in cash ordinary shares purchased immediately after the announcement. Aurora now owns 10.83m ordinary shares (38.25m shares after the capitalisation issue)—equal to about 66.97 per cent of the capital.

GEO. EWER. An associate of Dee Computer Services which holds 4m shares in George Ewer and Co., has bought 400,000 shares. Combined shareholding of Dee Computer and its associates now represents 29.58 per cent.

CAPLAN PROFILE. Caplan Profile of the UK has been given the go-ahead by the Foreign Investment Review Agency of Canada to purchase Expanded Plastics, an Ontario manufacturer of polystyrene frames.

WGI HIGHEST LEVEL OF ORDERS EVER

Points from the Annual Report and Statement by the Chairman, Mr F P S Stammers for the year ending 31 March 1978.

- The turnover at £24 million (1977: £21.7m) is the highest for the group to date and the profit before tax of £1.19m (1977: £0.76m) is slightly better than we have ever achieved before.
- The board recommend a final dividend of 3.8p net per share (1977: 3.7p).
- Our Civil Engineering Division achieved a turn-around from a large loss to a modest profit—reflecting great credit on the management concerned.
- The Refractories Division produced yet another record. This is particularly impressive when its main customer, the steel industry, was running at only 60% capacity.
- The Process Engineering Division and the Mechanical and Structural Engineering Division, both managed good profits. The latter division includes Tully Engineering which, in its Golden Jubilee Year, achieved excellent results.
- During the year Cox & Wright Limited acquired Air Tools & Compressors Ltd to add to its existing subsidiary, Cox & Wright (Pneumatics) and thus enlarged its distribution network. Both companies have now been merged and in future will trade as ATC Pneumatics Limited.
- We announced in January that we had sold our interest in Christy Bros Ltd, realising a profit of £63,690. Also announced this year was the disposal by Trafalgar House of its entire holding in this Group.
- From the Directors' Report, shareholders will have learned that I propose to retire at the conclusion of the Annual General meeting in July. Mr D R Brooks, at present Deputy Chairman, will succeed me.
- The Group as a whole commenced this year with the highest ever level of orders, although in some cases margins are somewhat thinner than is desirable.

WGI WEST GROUP INTERNATIONAL LIMITED
Lloyds House, Alderley Road, Wincoburn, Cheshire SK9 1QA, Wincoburn (05968) 27489

Civil Engineering—Specialist Refractory Manufacturing
Process Engineering—Mechanical and Structural Engineering

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with further investment in plant and equipment would substantially improve Superior's profits.

Superior, which owns and leases land with substantial reserves of aggregates near Houston, made pre-tax profits of \$549,686 in 1977 against \$331,839 in 1976. Its net tangible assets at December 31, 1977 were \$1.2m.

Mr. Needler added that in the opinion of the Board the market value of Superior's reserves of aggregates is substantially in excess of their cost which stood at over \$1m at the balance sheet date.

Hoveringham acquired Superior for \$6.5m (\$3.6m) last month in line with the group's policy of reducing its dependence on the UK construction industry.

PUBLICKER TO SELL SCOTTISH OPERATION
Publicker Industries Inc. has agreed to sell its making facilities at Airdrie, Scotland, for an undisclosed sum. Associated British Maltsters, a unit of Dalgety.

The agreement is subject to completing an ongoing financial audit and signing formal documents. The sale does not include Publicker's two distilling operations located in Scotland.

J. A. DEVENISH HOTEL PURCHASE
J. A. Devenish and Co. has agreed terms upon which it will make an offer of £248,000 cash for the Greenbank Hotel Company (Edinburgh), a private company which owns the three-star hotel of that name in Falmouth, Cornwall. The offer is supported by the Board of Greenbank.

After the acquisition, Devenish intends to continue to operate and develop the hotel under its existing staff and management.

T. COWIE
T. Cowie has agreed to purchase the business and premises of the export of Barrow for £70,000. It is not anticipated that any redundancies will arise.

DERITEND

GROUP ACTIVITIES
Manufacturers of hot rod forgings and pressings in ferrous and non-ferrous metals, investment castings and special purpose machines. Electrical installation and repairs and electrical surface heating.

Year ended 28th February	1978	1977
Sales	27,235,000	22,749,000
Profit before Taxation	1,784,138	1,228,448
Profit after Taxation	862,135	639,852
Ord. Dividends per share (Actual)	8.37p	8.12p
Earnings per share	25.1p	22.5p

MR. C.W. PERRY REPORTS
Sales up 17% and profits up 47% are the highest yet in the history of the company. The Forging Division was not able to maintain the gratifying profit performance level of the previous year and the indications are that this division will remain in a depressed state for 1978-9. The results for the Manufacturing Division are very encouraging. There is no reason why this division cannot look forward to further achievements during the current financial year. Improved trading in the Electrical Division resulted in a satisfactory return in profits and if this upward trend should continue throughout the current financial year. Copies of the full Statement and Accounts can be obtained from the Secretary.

THE DERITEND STAMPING COMPANY LTD.
St. Richard's House, Victoria Square, Droitwich, Worcestershire WR9 8DS.

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WHITBREAD



Competition and Supply in the Brewing Industry

You will know that this industry has again been the subject of Government investigation, this time by the Price Commission in regard to beer prices and margins. The subsequent report made it quite clear that beer prices had risen less than prices generally, and that margins were not excessive. However, the Price Commission went on to comment on the structure of the industry, although it had made no attempt to obtain recent evidence on this matter.

The industry then issued a reasoned response to the Price Commission Report, answering the points of criticism and reminding the Government that the Monopolies Commission had already come to the conclusion that there were no practical alternative arrangements which would be more advantageous to the customer than the present system.

The Price Commission has since completed a further investigation, this time into an individual company, namely Allied Breweries. The report published covered the same ground as that on the industry, and, once again, confirmed that profit margins are not excessive, and acknowledged that the method of valuing brewers' public houses shows a low return to the industry on the capital involved.

The Brewing Industry has been in discussion with the Government for some months past on these subjects. I am pleased to report that the Secretary of State at the Department of Prices and Consumer Protection, in a statement made on the 2nd May, welcomed assurances given by the major brewers on areas covered in these discussions. The main points concerned prices, where the major brewers have undertaken to endeavour to hold prices for a period of from six to twelve months, and that efforts will be continued to reduce concentration of ownership of pubs in certain areas, and to explore the possibility of exchange of beers where there is a commercial demand.

We look forward to a better atmosphere between the Government and the Brewing Industry in future. We are proud of our industry, with its eighty brewing companies, its pubs and the pint of draught beer which are unique to this country. Competition is intense between brand and brand, and pubs and pubs. Choice in the outlets, from my experience, is wider in Great Britain than in any other country in the world, and this has also been acknowledged by Government. Many of our competitors find it profitable to sell your Company's brands, and we shall continue to offer our customers a wide range of draught, bottled and canned beers, in addition to wines, spirits and soft drinks.

I sincerely hope that both Ministers and the Price Commission will now leave this industry in peace, so that we can bend all our efforts to the task of increasing the real wealth of your Company and of the country by building up our trade and earnings abroad, and improving the return on our assets at home.

The Board

I would like to pay tribute to my predecessor, Mr. Alex Bennett, who retired as Chairman on the 31st December, 1977, after 43 years' service. Like Colonel Whitbread, he has given a lifetime's work to the Company and, with a very human touch, has guided Whitbread's development through the difficult inflationary tides of the last seven years. We all wish him a happy retirement, and are most grateful for the time he has agreed to spend in continuing to help Whitbread and the Brewing Industry. He remains on the Board of the Company, and continues as Chairman of the Whitbread Investment Company. In addition, he is staying on as Chairman of the Brewing Research Foundation and has also undertaken the Deputy Chairmanship of the Food and Drink Industries Council, two very important tasks both for Whitbread and the Brewing Industry.

We also wish a happy retirement to Mr. J. E. Martineau, who retired in July after more than fifty years with Whitbread, forty-five of them on the Board, and we are grateful to him for all he has done for the Company over all these years.

The Retail Trade

Whitbread has some 8,000 retailers and their wives, as well as some 50,000 Free Trade customers. I try to meet as many of them personally as I can, and I would like to pay tribute to them for the unique service they provide for their customers, the public, and to thank them for their continued support. Good relations with retailers must be the cornerstone of any successful business in this industry, and we in the Company will continue to work to maintain a happy and prosperous partnership on an individual basis.

Recently, the National Union of Licensed Victuallers, the tenants' association, has published a list of points of review with the brewers, and these are being discussed by our local Companies with the local N.U.L.V. representatives. We are confident of a satisfactory outcome to these discussions.

Our tenants have had a difficult time over the last eighteen months, squeezed by continuing inflation and a depressed trade. However, I am sure that this phase will pass and, as such, it is worth reminding ourselves that the Brewing Industry offers a unique opportunity for the licensee and his wife to build up their own business with a relatively small capital outlay. There is the opportunity for ambitious and energetic people to set up on their own. This requires great effort but also offers a fair return for enterprise and hard work. It has to be recognised that there is an element of risk to both sides of this partnership, and being a licensee these days is no sinecure, a fact often forgotten by some critics of our Trade.

I would also like to thank our 2,000 managers and their wives for the immense amount of hard work they have put in over the past year. We maintain an extremely good relationship with the National Association of Licensed House Managers, and are proud that the President, Mr. Bill Scouting, is one of our managers, as is the immediate past President, Mr. John Lewis.

Social Problems

We all remain concerned with the problems that abuse of alcohol can produce in society. The extent of such problems can be exaggerated but they are none the less real, and the Brewing Industry actively supports many of those organisations concerned with them—the main areas being under-age drinking, drinking and driving, and violence.

The increase of violence in our society is something that worries everybody, and as many of you will have seen, the Company ran a questionnaire advertisement as part of our corporate advertising campaign during last year, on pub violence. The response was significant, and it was apparent that both the public and members of the Trade supported the need for increasing efforts to try to understand and combat the growth of violence.

We have now set up a Whitbread Research Foundation at Oxford University's Department of Experimental Psychology to look more deeply into the subject. The Research Team will report to a Board composed of members of the Company and eminent public figures of experience in this area. I am pleased to report that Lord Carr and Sir Arthur Peterson, a former Permanent Secretary at the Home Office, have agreed to join us in this endeavour as Trustees.

The Chairman's Statement Mr. Charles Tidbury's Report for the year ending 25th February, 1978

May I start off by saying how honoured I am to be writing this Company Statement for the first time, and not without some trepidation.

1977/78 was a difficult year after the record year of 1976/77. The summer weather was not good, the economic climate was dull but, most important of all to Whitbread, the quality of our service to our customers in

What is particularly encouraging is the regained momentum of our larger brands, Heineken and Stella Artois, despite the very poor spring weather. We expect another year of growth for our lagers, and our speciality beers, notably Gold Label and English Ale, which continue to make good progress. Our exports of beer have also done well, although a promising start in Nigeria was hampered by import restrictions, and alternative arrangements have been sought to brew locally. As far as brewing under licence is concerned, we are still optimistic over the New Zealand market, although the broadening of distribution in that country continues to be a problem. Mackeson is continuing to establish its position as an international brand, and in the Caribbean arrangements were concluded to brew at the Windward and Leeward Brewery in St. Lucia. We are also making considerable progress in Trinidad and Jamaica.

Trade — Beer

Our trade performance for beer last year divides itself into two distinct periods—from March until September, and then October through to the present time.

The first period's sales were disappointing. Apart from the general slowing down of the market, our situation was further exacerbated by industrial relations problems. This caused us to lose share to our competitors. However, during this period of poor trading, Whitbread Trophy Bitter continued to make good progress, as did some of our local ales such as Marlow Bitter and Pompey Royal. Sales of canned beer through the Take Home Division continued to outperform the market, and our new organisation in Whitbread Scotland resulted in a substantial increase in trade in that area.

From October onwards, our sales began to improve, and since then we have continued to regain lost ground. Our standards of supply and customer service during the Christmas trading period were much improved, resulting in our second half-year's trade being significantly ahead of the previous year. This improved trend continues through to the present time.

Soft Drinks

Our Soft Drinks Company had a difficult year. The adverse summer weather depressed the total soft drinks market, and R. White's lemonade suffered from this along with the rest. One sector where we managed to do better than the market generally was in mixers and fruit juices, with our Rawlings brand, which continued to increase its market share.

Wines and Spirits

Trading in wines and spirits at home last year was not easy but, at the retail end of the business, our Threshers and Mackie's shops made good progress. During the year, twenty-six shops trading as Agnews were added to the chain, and the headquarters for the total operation was successfully con-

centrated at Hatfield, which enabled us to sell the Chelsea premises. Not long ago, many people thought that shops such as ours would bow out before the weight of the supermarket chains. Thanks to the local service and trading ability of our staff and managers, this has not proved to be the case. We are pleased with the results, and we regard this area as one of potential growth for the future. Stowells of Chelsea celebrates its centenary this year, having started from a single shop in Ealing, it is now one of the

largest wine and spirit wholesalers in the U.K. Langenbach, our German wine business, founded 125 years ago, has now doubled in value since our purchase of it four years ago. During the year Stowells acquired Hawker's Pedlars Sloe Gin, a brand which we believe has potential both at home and overseas.

Long John whisky had a good year overseas, and sales at home have surpassed the expectations of even the most optimistic among us. With Black Bottle, Islay Mist and malt whiskies Laphroaig and



Mr. Charles Tidbury

Tormore, we have the necessary brands for an important market sector. This year, Plymouth Gin has made encouraging gains.

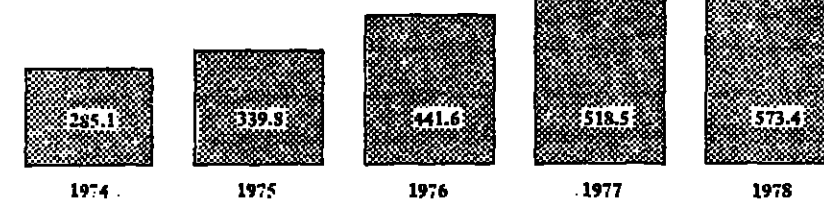
OUR RESULTS

YEAR TO 25th FEBRUARY, 1978

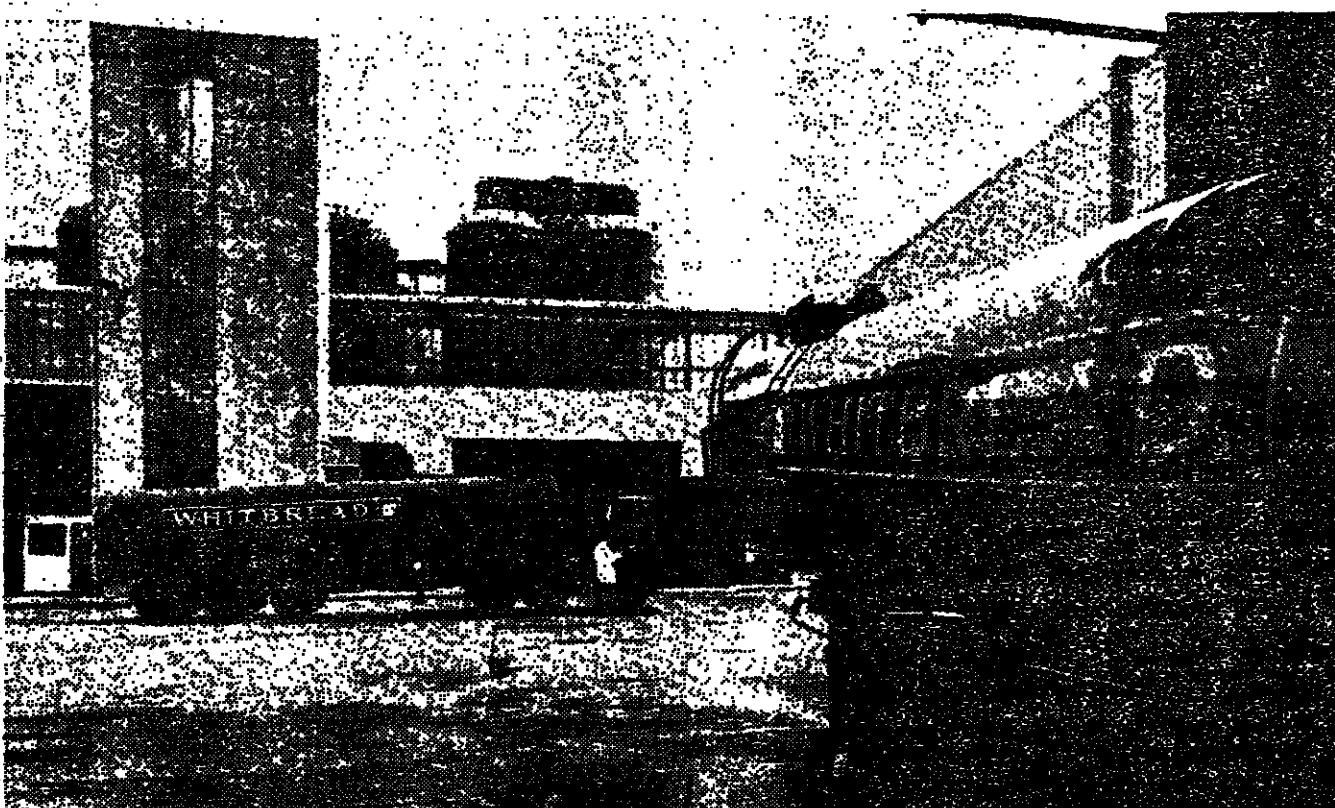
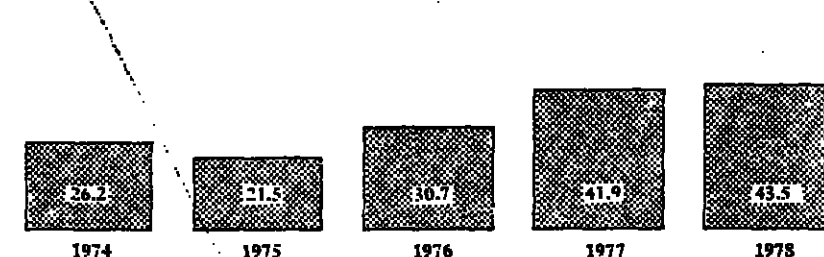
	1978 £000	1977 £000
Turnover	573,369	518,473
Profit before Tax	43,518	41,897
Tax	6,786	10,421
Profit after Tax	36,732	31,476
Dividends	9,363	8,341
Retained in the Business	28,921	22,134
Earnings per Share (pence)—basic	16.13p	13.78p
—fully diluted	14.76p	12.67p

5 Year Summary

Turnover



Profits before Tax



Whitbread tankers ready for loading at Samsbury brewery, Lancashire, where the company has invested more than £30m.

INVESTMENT

Last year, a total of nearly £50m was invested in the business, with production of lager and distribution requiring the lion's share. Some people have said that it is the brewers who force lager on a defenceless public. To that I would say, it is public demand that creates a market, and the sum of nearly £120m that your Company will have invested in lager will enable us to meet that demand. The same applies to the growing take home trade, where our Take Home Division continues to make encouraging progress. Sufficient canning lines are a prerequisite to support this sector of the trade, and we are making the necessary investments.

We intend to increase progressively our level of investment into new pubs. The improvement of our existing estate, and the Free Trade. In April 1978, we successfully issued £15m of Sterling Foreign Currency Bonds at par with a coupon of 10½% fixed for twelve years. Annual redemption from 1981 gives an average life of approximately 9½ years. This money, which was raised through a consortium of international banks led by our merchant bankers, Kleinwort Benson, will be used to finance our investments in U.K. trading assets.

Production and Quality

Unfortunately, changes in the market place lead to changes in our production requirements, and during the year the closures of Rhymney and Blackburn breweries were announced, to take place

during 1978. We have tried to soften the blow by careful planning, and are keeping a distribution depot in both places.

As well as completing the Strathclyde Distillery for Long John whisky, we have continued our construction of the new plant at Magor, which should be in production in 1979. Magor is in Wales, just across the Severn Bridge. This brewery, on a sixty-acre landscaped site, will represent a major development for the Company.

The continued high quality of our products has been ensured by a strengthening and re-organisation of our Quality Control during the year, which is now yielding benefits in the quality of our products at point of sale. This year we are extending our control to the manufacturers of our raw materials and packaging by the

appointment of a Quality Control Inspector.

I have noticed that, in assessing the value for money the public are willing to pay for a product, a little extra is always available for the one in perfect condition and whose reliability can be depended upon.

Chiswell Street Development

As I write, we have just concluded partnership arrangements with Trafalgar House to develop two blocks, totalling 400,000 sq. ft., of offices on our site. The construction contract will be let to Trollope & Colls, and we believe that there will be a demand for good office space in the City in two years time—a large investment decision which shows our confidence in the future of the City and this country.

The Overlord Embroidery

The Company were very honoured when Her Majesty Queen Elizabeth The Queen Mother consented to open the Overlord Embroidery Room at Chiswell Street on the 6th June this year, the 34th anniversary of Operation Overlord, the Allied D-Day landings in Normandy.

The Embroidery was commissioned by Lord Dulverton, and donated to the nation by him in 1973. It was designed by Miss Sandra Lawrence, and took the Royal School of Needlework five years to complete. It is now on loan to the Company from the Overlord Embroidery Trust, and is on view to the public throughout the year.

I hope that our shareholders will find an opportunity to visit the Brewery to see the Embroidery, and to see the work that has been done on our retained buildings on the site.

Sponsorship

Your Company has always been in the forefront of innovating sponsorship of sporting events, and we were very pleased this year to organise once again, in partnership with the Royal Naval Sailing Association, the Whitbread Round the World Race. In addition to such old favourites as the Whitbread Gold Cup at Sandown Park and the Badminton Horse Trials, we now include awards for literature and the arts, to say nothing of golf, cricket, tennis, speed-boating, darts and many others.

We are confident that sponsorship of this nature helps to keep our name and our products in the public eye, and in addition encourages sports that are of interest to many of our customers.

Philosophy of Whitbread

As you know, we are still a truly family brewing company, of whose independence I believe we can all be proud—but we have to keep the business successful. Success means making reasonable profits to allow us to invest in good research and development and modern plant to enable us to compete with the changes in the market place. It also means good customer service, a fair return to our shareholders, and a decent livelihood for those who work in the business.

You will find Whitbread & Co. all over the country but, although we are national, we trade through nine local companies. It is interesting that when we did this in 1969 many said it would not work—now others are copying us. We believe our system gives the greatest sense of achievement and belonging in a large organisation but it works only as long as we can find able and enterprising people to run these companies with high standards of trading, management and leadership. To see that these standards are maintained and developed is one of the most important tasks which your Board is tackling at the present time.

Aims and Organisation

Two principal current objectives have been set for the Company: first, to increase the comparatively low return on our capital in the U.K.—a problem, which is not peculiar to this Company and, I am glad to say, is now acknowledged by the Price Commission; secondly, to increase the share of profit earned from overseas, from the present level of approximately 8% to nearer 20% within the next five years.

Taxation

We are disappointed at the apparent unwillingness of the Government to ease the tax burden on senior and middle management. If this country is to raise its productivity to the level of that of our major competitors in the world, surely we must have the same, if not better, incentives for people to work harder.

I believe there is no lack of willingness to work but the frustration of rewards which leave those concerned, and their families, materially worse off must be to the detriment of this country's objective of keeping, and improving, its place in world trade.

Share Ownership and Profit-Sharing

We would welcome any scheme which we could be reasonably sure would help to increase the feeling of involvement of all those working in the business, and thus benefit members of the Company, our customers and shareholders. We are currently studying all the implications for profit-sharing, with or without linked share ownership, before coming to a conclusion on any future policy. It is hoped that the ideas mooted by the Government in the Finance Bill will encourage industry in this area. As you know, since 1975 we have operated a successful own-as-you-earn scheme which gives people who work in the Company a chance to save and eventually own Whitbread shares.

THE FUTURE

As I write this at the end of May, the current year has started well, despite the appalling weather of the Easter holiday and even worse May Day—truly an international distress signal for a national holiday! We hope for better during the summer. I remain an optimist for our Trade, and I am confident that, with the help of all who work in the Company team, and less attention from Government to distract our senior management, we shall, this year, make further progress both at home and overseas.

Annual General Meeting:
Brewery, Chiswell Street,
London EC1Y 4SD.
12 noon 18th July 1978.

INTERNATIONAL FINANCIAL AND COMPANY NEWS

AMERICAN NEWS

Capital increase from Petrobras

RIO DE JANEIRO, June 19. FOR THE first time ever, Petrobras, the Brazilian national oil conglomerate, has announced an increase in capital before the board formally ratifies the decision. This has been done to avoid stock market speculation through inside information.

Petrobras was submitted to an official Stock Exchange Commission investigation when its shares moved sharply earlier this year after rumours and counter-rumours that BP had discovered oil in the Santos basin, drilling under a risk contract with Petrobras.

One June 21, the Petrobras board will ratify the decision to increase the company's capital from \$1.41bn to \$2.12bn through a bonus issue of one new share for every two held (ordinary or preference).

The new bonds issue means that since 1974, Petrobras will have increased its capital by nearly 200 per cent (that year, it was worth \$580m). The state-run conglomerate are no longer allowed to increase their capital by subscription, and must confine themselves to bonus issues, in order to leave the market more open to shares of smaller companies.

This year Petrobras will invest over \$1bn in oil prospecting and exploration.

Toft proposal rejected

BRAZIL'S Industrial Development Council has rejected a proposal made by Toft (Jardine-Matheson Company of Hong Kong) to produce sugar cane harvesters in Brazil, writes Diana Smith from Rio de Janeiro. Had the proposal been accepted, Toft would have received local loans at subsidised interest rates, and export incentives.

The proposal was turned down essentially because of gloomy prospects for the sugar cane industry, with lower world prices, and because of heavy idle capacity in Brazilian cane harvester manufacturing plants. In 1977 the Brazilian manufacturers sold 91 machines for a total of \$10.7m—this year they do not expect to sell more than 45.

Chicago options markets agree on merger plan

BY STEWART FLEMING

THE CHICAGO Board Options Exchange, the biggest of the U.S. share options markets, has reached agreement on a merger with another Chicago-based options market run by the Midwest Stock Exchange.

The announcement comes at a time when the Securities and Exchange Commission is calling for further information about options markets and has put into effect a moratorium on the expansion of the markets already operating.

The SEC's move was an indication of its concern about illicit trading activities on some exchanges, but it reflected too its desire to carry out a thorough review of other rapidly growing options markets before making decisions about their future.

Other questions at which the SEC is looking are whether and in what circumstances trading of options and their underlying securities should be integrated on an exchange floor. At present, they must be traded on separate floors. It is also

examining whether options should be traded on the over the counter market.

The announcement of a proposed merger between the CBOE and the options market of the Midwest Stock Exchange is already upsetting other options markets, who fear that it will strengthen the CBOE's already entrenched position. The American Stock Exchange, which also operates a share options market, has sent a telegram to the SEC protesting against the move on the grounds that it represents just the sort of expansion which is supposed to be held in abeyance during the SEC inquiry.

The CBOE is arguing that the merger does not involve expansion, merely consolidation.

regulation and development.

The SEC has now called for further public comment on specific areas it is looking at, including the issue of whether the New York Stock Exchange, the dominant U.S. stock market, should be permitted to start an options market. At present, the NYSE has been pressing, has been delayed because of concern about the problems of regulating such a market.

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Exchanges set up probe into Husky Oil

BY ROBERT GIBBS

MONTREAL, June 19.

THE Toronto and Montreal stock exchanges have set up an investigation into trading of Husky Oil shares over the past week. Trading in the stock was halted on Thursday June 8 and the last trade was at C\$53.

The halt was due to rumours that a bid would be coming for the company.

Last Monday, Petro-Canada revealed it was planning a C\$45-a-share cash bid, which was quickly countered by Occidental Petroleum of the U.S. with a share-exchange offer worth about U.S.\$44.70.

Trading reopened in Canada between C\$47 and C\$48 a share. Later in the week, Petro-Canada upped its bid to C\$52 a share, to which Occidental responded with a revised share-exchange offer worth about U.S.\$48.

Trading was halted again, and when reopened on Friday, Husky stock was holding around the C\$60 level in Canada.

The American stock exchange, where Husky shares are also traded, confirmed that it will also investigate trading. Officials of all three exchanges said the main issue was whether the kind of improvement that had been anticipated as a result of restructuring activities there, the Street earnings estimates that are generally in the \$2.60 to \$2.80 a share range. For fiscal 1977, Burlington earned \$2.9m or \$3.11 a share fully diluted on sales of nearly \$2.4bn.

He tended to agree with Wall Street earnings estimates that are generally in the \$2.60 to \$2.80 a share range. For fiscal 1977, Burlington earned \$2.9m or \$3.11 a share fully diluted on sales of nearly \$2.4bn.

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Braniff approaches CAB on new Middle East route

BY JOHN WYLES

Dallas-Fort Worth and Houston with the Iranian capital, Tehran, and with Doha in Saudi Arabia. Its scheduled return coach fare would be \$1,593, the current off season fare, which would apply all the year round. In addition, it is planning an advanced booking fare of \$880, half the current coach return fare, and a special "rest and recreation" round fare of \$800. Braniff says this would be aimed at the large number of Americans from its service area who are working on oil rigs in the Middle East and typically receive one month's leave at least twice a year.

Flying time to Tehran from Dallas-Fort Worth would be 13½ hours compared with the 14½ hours currently available, via London and travelling with Houston companies now scheduled service linking two airlines, of 21 hours. The offices or branches there

forward trip from Tehran to Doha would be just under three hours.

Braniff plans to use the long range Boeing 747-200, which it has ordered for delivery next year. The company said today that its market studies indicated that there would be 24,094 passengers in the first year of the new service, which on the basis of two round trips a week, would give a load factor of 55 per cent.

It claims that traffic between the U.S. oil states of the South West and the Middle East has grown "geometrically" since the airline's move there in 1968. Dallas-Fort Worth companies record \$100m in business with the Middle East and more than \$100m in business with Houston companies now scheduled service linking two airlines, of 21 hours. The offices or branches there

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FTC may block Tropicana deal

BY OUR OWN CORRESPONDENT

BEATRICE FOODS, America's largest food producer, has warned that its \$490m acquisition of Tropicana Products may be blocked by the Federal Trade Commission.

The company announced that the FTC had asked for a postponement of the shareholders' vote on the proposed acquisition, the largest agreed this year, until

some time after September 1. The Government agency says it wants more time to complete its previously disclosed anti-trust investigation.

However, Beatrice appears unlikely to comply in a filing with the Securities and Exchange Commission, the food company said it had declined the FTC's request and that it expected the acquisition to be

completed by the end of this month. But it also acknowledged that the FTC could take any action it thought appropriate under the anti-trust laws "before or after the proposed acquisition is consummated."

This action could include an attempt to force Beatrice to divest itself of Tropicana, the Florida-based producer of fruit juices.

Damages cut in Kodak anti-trust case

BY OUR OWN CORRESPONDENT

THE \$37.6m damages which a jury awarded Berkeley Photo in a protracted anti-trust suit against the world's leading photographic products producer, Eastman Kodak, has been reduced to \$27.1m by the judge in the case.

Kodak has indicated that it intends to appeal against the damages award, which would be tripled under Federal laws designed to punish and discourage anti-trust violations.

In reducing the award, Judge Marvin E. Frankel of the Federal District Court in Manhattan rejected a request by Berkeley that Kodak be forced to

divest itself of some of its main operations. But he ordered Kodak to treat all photo-finishers alike, including its own colour print and processing division.

Berkeley expressed satisfaction that the judge upheld the jury's verdict against Kodak. The judge said that in his opinion the evidence showed a carefully orchestrated programme by (Kodak) to use its film monopoly in order to obstruct and frustrate competition on merit in the camera market.

He upheld the jury finding that Kodak should pay interest on the damages award and legal

costs related to the trial. The judge said he could not justify the "devastating remedy of divestiture, which would in all circumstances be punitive rather than curative."

In Rochester, New York, a spokesman for Kodak said that while the company was aware of the judge's ruling, it had not seen it and therefore could not comment.

The suit is one of a series which has been brought against the giant company, and the findings, unless overturned on appeal, could influence cases still outstanding.

Esselte holds 90% of Dymo

Esselte AB and Oxford Pendaflex Corporation said that about 1.75m shares of Dymo Industries common stock or about 90.5 per cent of Dymo's outstanding stock was tendered under offer at \$30 a share, and that the offer has been extended to June 30, reports Reuter from New York. Oxford Pendaflex, a division of Esselte, said that June 30 will be the final extension. Dymo has 1.93m shares outstanding.

Westinghouse settles

Westinghouse Electric Corporation has reached an out of court settlement with Union Electric of St. Louis over a \$8m lawsuit involving two steam turbine generators, reports Reuter from Pittsburgh. The suit, filed in 1973 in U.S. District Court for the Eastern District of Missouri, arose from outages of two Union Electric generating units, Labadie and two others, during the years 1971 to 1973.

Under the settlement, Westinghouse said it agreed to make a cash agreement in an unspecified amount and to provide credit to be applied to the purchase of three turbine rotors that will be used as spares for both Labadie units and for two Rush Island generating units.

EUROBONDS Yen issue expected for Sears Roebuck

By Francis Ghiles

THE dollar sector of the bond market was easier yesterday in fairly thin Monday trading. Many dealers felt that prices would fall further in the next few days. Convertibles remain the only really buoyant sector, at least where new issues are involved.

The \$15m convertible for ASICS, whose coupon has already been cut once by a quarter of a point to 6 per cent, looks as if it may see its coupon cut again before pricing, which is expected today. It was oversubscribed 12 times.

In the Deutsche-Mark sector of the market, prices remained steady yesterday. A DM150m issue for Sanyo, to be arranged by Nomura and Deutsche Bank, was announced. Terms for this issue, the largest DM convertible ever, include a 10-year maturity and an indicated coupon of 3½ per cent. Average life of these bonds will be eight years, and the conversion price is expected to be about 10 per cent.

The Unit of Account 20m issue for Societes de Developpement Regional was priced at 98½. The first yen-denominated bond for a foreign private company is expected shortly for the U.S. stores company Sears Roebuck. This development comes as no surprise, as the Japanese authorities are liberalising access by foreign investors to the yen market in an attempt to reduce their trade surplus.

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Income Data	1977	1976
Sales	311	253
Earnings before special adjustments and taxes	15	15
Depreciation	4	3
Special adjustments	6	7
Taxes	6	5
Reported net earnings		
Per share	1.09	0.73
Adjusted net earnings		
Per share	2.32	1.79
Other Data		
Order bookings	343	274
Order backlog (year-end)	335	267
Investments in property, plant and equipment	8.3	7.5
Employees (year-end)	11,182	11,243
Dividend per share	0.65	0.65

Despite weaknesses in the Japanese economy, which caused losses in one sector, the Fläkt Group continued to make consistent progress in its multinational operations during 1977. Calculated in Swedish kronor at year-end rates, sales increased 23 percent and orders booked were 25 percent higher. Group earnings were only marginally below 1976 figures.

Fläkt's current strategy for continuing growth is based on three approaches: (1) Expansion of its already widespread sales organization throughout the world, (2) Increased emphasis on sales of complete systems in the fields of air pollution control, industrial and comfort ventilation, industrial drying, and waste-handling and resource recovery, (3) Highly efficient production of standard products.

Fläkt is soundly equipped to cope with the economic conditions foreseen during 1978. Although earnings are expected to decline slightly, sales and order bookings should both continue to rise, providing a good base for future growth.

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INTL. FINANCIAL AND COMPANY NEWS

The battle for Husky Oil

BY ROBERT GIBBENS

NEVER BEFORE have the heavy oil resources of the Lloydminster area of south-west Saskatchewan—they also extend into south-east Alberta—received so much attention. But these comparatively large potential reserves, from which production has been obtained in small quantities for many years, have emerged as the main issue in the current tussle for control of Husky Oil of Calgary, a company spanning the Canada-U.S. border, in production, refining and marketing, with assets of well over \$600m.

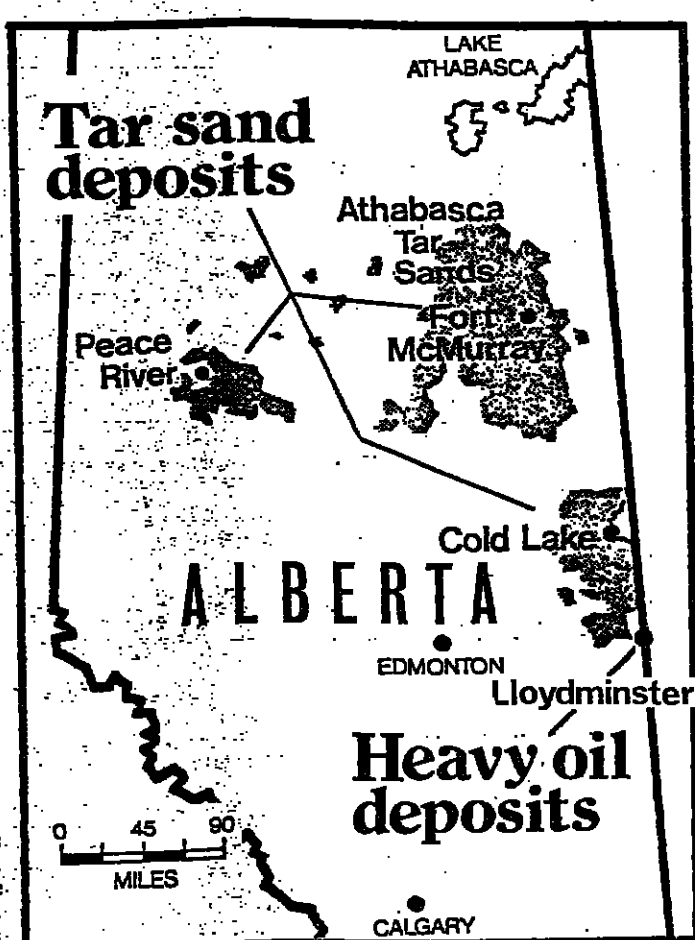
The problems since the energy crisis of 1973-74, have been the timing of large-scale production of heavy oil, the technology required and the meshing together of a large number of interests which hold leases in the area, in relation to the Canadian long-term oil supply.

From the point of view of the Federal Government, the timing could be crucial to the balance of payments and to security of supply. The prospects are good for getting new domestic capacity of perhaps 100,000 barrels daily of crude oil at half the cost of a third Alberta tar sands plant—if technical problems can be overcome. In the sands, bitumen occurs close to the surface, mixed with sand, and at present, is strip mined and then upgraded; heavy oil occurs deep below the surface.

The second tar sands mining and processing operation, Syncrude, will be starting up shortly and will ultimately have a capacity of 125,000 barrels a day of synthetic crude. This will bring total tar sands production from the two plants to around 175,000 barrels daily compared with total Canadian needs of around 2m barrels a day.

Syncrude will come on stream at a capital cost of around \$2.5bn. However, the third tar sands mining operation now planned by Shell Canada with partners cannot reach start-up much before the mid 1980s. It will cost around \$4bn in current dollars for the same capacity as Syncrude.

The technology to extract oil from the deep-lying tar sands through various methods of heating up the deposits underground, and using less water than Syncrude with less environmental scarring, is many years away. The most advanced project is that of Imperial Oil, which has a pilot plant using



to force the issue. And federal Energy Minister Alastair Gillespie now says that the Occidental Petroleum takeover of Husky could be acceptable to Canada if there were cast-iron guarantees that this would mean fast development of the Lloydminster heavy oils.

Occidental is one of the leaders in oil-shale technology in the U.S. but whether it can contribute extra know-how to the extraction of the Lloydminster heavy oils is not clear.

Husky is a very well known name in western Canada, and it would be hard for Canadian nationalists to make a case against it. It was founded in 1933 by American oilman Glenn Nielsen at Cody, Wyoming, with a 900 barrels daily refinery, 19 employees and one producing lease. Mr. Nielsen is chairman and his son is president. The company moved into Canada in the late 1940s with the first discoveries of major oil reserves in Alberta. Today it has production, refining and marketing operations on both sides of the border with exploration interests in the North Sea, Alaska and other parts of the Western hemisphere. It holds leases in the Alberta tar sands, and in other heavy oil areas of Canada and the U.S. Last year it earned \$42.8m on volume of \$620m, against \$30m on sales of \$522m in 1976. The parent company is based in Canada, though its headquarters are in Cody. Its 1977 production from the Lloydminster area was 27,500 barrels daily, sold mainly in the U.S. Husky says it has identified 16bn barrels of heavy oil in place in the Lloydminster area.

It has formed a special technical group to develop methods of tertiary recovery to lift a greater percentage of the oil in the reservoirs. Its proposed upgrading plant would have 100,000 barrels daily rating and be operated by a new Canadian corporation owned by investors, producers, refiners and governments.

Husky would provide 25 per cent of the equity required.

It now seems that compromises are possible in the fight for control of Husky in the interest of getting the heavy oil reserves to market, especially

as both countries are finding it increasingly necessary to co-operate on energy matters.

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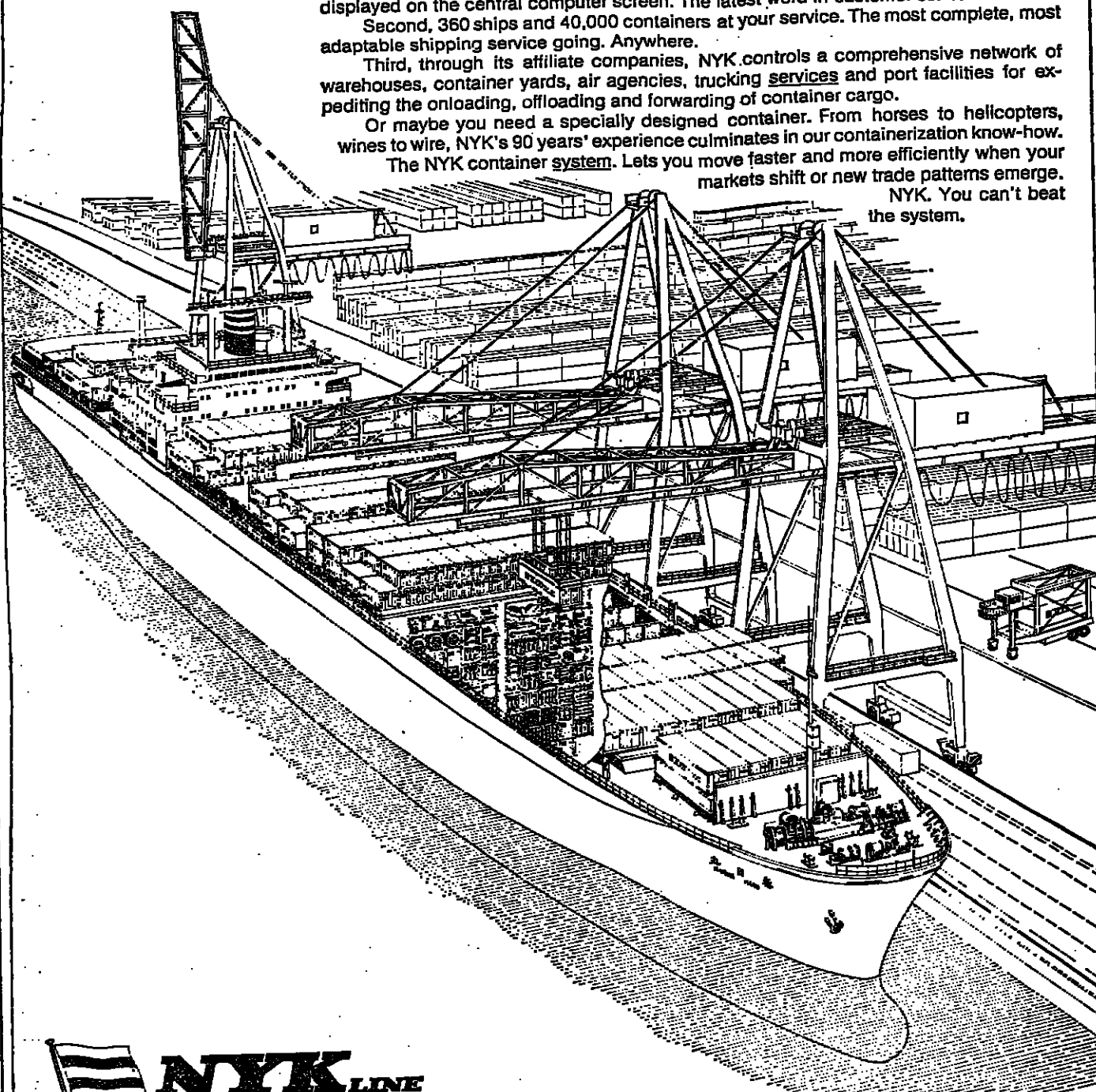
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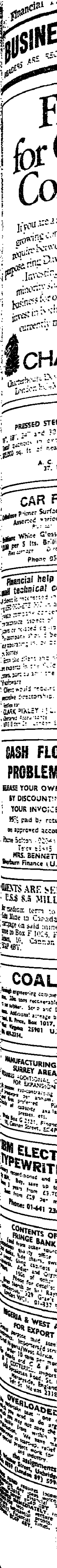
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Bargain-hunting moderates Wall St. decline

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CONCERN That tighter monetary policy and its effects on interest rates and the economy pushed stocks lower on Wall Street yesterday.

The close, however, bargained hunting, and it claimed one of the losses and left other stocks with small gains.

The Dow Jones Industrial Average—down more than four points in the morning—finished with a loss of 1.01 to 304.

The NYSE All Common Stocks index ended 4.35 off at \$34.76.

Volume, at 25,500, was down 2,100 on Friday, while declining share outbought, with 1,010 to 304, with 306 issues unchanged.

Investors were expecting the Federal Reserve's Open Market Committee to decide at its meeting today whether to raise the check the recent rapid expansion of the money supply.

But with the economy already showing signs of slowing down and the possibility of a hard winter, the Fed runs the risk of a recession if the measures adopted are too vigorous.

Analysts of economic slowing in investors last week learned that the rise in personal income slowed in May, from April, and that residential and building permits turned lower in May.

On the positive side, the Organisation of Petroleum Exporting Countries held the price of

its December meeting.

IBM was strong, rising \$3 1/2 to \$29 1/2. Burroughs gained \$1 1/2 to \$24 1/2. TeleType \$2 1/2 to \$11 3/4, and Texas Instruments \$1 1/2 to \$7 1/2.

Ford Motor, which has been weak recently, picked up \$ 1/2 to \$14 1/2. A \$150,000 contract to supply two satellites to India for that country's proposed satellite system.

Carter Hawley Hale was unchanged at \$18 1/2. It agreed to acquire Thalheimer Brothers—up \$1 1/2 to \$16 bid, in over-the-counter trading for stock.

Western Petroleum Oil elected William P. Barron chairman to fill the spot vacated on the death of Albur H. Meadows a week earlier. The stock picked up \$ 1/2 to \$4 1/2.

Howell gained \$1 to \$57.

It plans to acquire Spectronics for stock. Spectronics jumped \$5 1/2 to \$21 bid, in over-the-counter trading.

American Broadcasting signed a final pact to sell its movie theaters for \$50. It added \$ 1/2 to \$4 1/2.

Namada Inns headed the actives list again, rising \$ 1/2 to \$7 1/2. Last week it denied it had plans for a \$100 million stock raise. General moved up. Caesars World added \$2 1/2 to \$39. Del E. Webb \$2 1/2 to \$20; and Playboy \$1 to \$18.

It was a record for the stock exchange climbed \$1 to \$18 1/2.

Tropicana eased \$ 1/2 to \$24 1/2, and Bearrice Foods \$ 1 to \$25 1/2. The Federal Trade Commission asked the Justice Dept. to delay its plans to purchase of Tropicana, but

Beairre refused.

On the AMERICAN SE price declined in moderate trading. The index slipped 0.59 to 149.57, with the average price per share falling 1¢.

Stock volume eased 640,000 shares to 3.47M, with losing issues outnumbering rising ones 440 to 229.

Resoris International led the actives, spurring \$71 to \$83 1/2. Husky Oil, in second place, dropped to \$641. Both Husky and Occidental Petroleum denied any collusion to bid up Husky's shares: as was charged by Canadian MP. Occidental, which eased \$4 to \$20 1/2 in New York Stock Exchange trading, was bid against Petro-Canada for Husky.

Jeannette added \$2 1/2 to \$18 1/2. Coca-Cola Bottling of New York offered to buy its shares at \$2 each, Coke-New York eased \$ 1/2 to \$6 1/2 in NYSE trading.

Canada

Share prices closed weaker in busy trading on Canadian stock markets yesterday. The Toronto Stock Exchange index ended 2.2 down to 1,143.5, while the West coast composite index lost 0.2 to 192.93.

Oils led the broad decline, the sector index dropping 13.6 to 12.1.

Husky Oil object of rival takeovers bids by Occidental Petroleum and Petro-Canada, fell C\$1; to C\$496 on 66,555 shares. Canadian Oil Corp. dropped 1 to 29.

Home Oil "A" lost C\$1; to C\$494.

Bow Valley C\$1 to \$291 and
Hudson's Bay C\$5 to \$211.

Hong Kong

Shares moved sharply higher
hedge trading, the Hang Sen
index pointing on 19.65 points
close at 562.31, its highest level
since Nov. 27, 1975.

Prices opened well up
and shares firmed in the morning.
The gains were maintained
throughout the afternoon as
most leading stocks closed at the
best of the day.

Among the gainers, Hong Kong
Bank rose 10 cents to HK\$18.4.
Hong Kong Land 35 to HK\$9.3.
Wheelock "A" 25 to HK\$3.5.
Jardine Matheson 80 to HK\$4.6.
Swire Pacific "A" 10 to HK\$8.
United Hong Kong Electric 20 cents
to HK\$2.25.

Hutchinson Whampoa moved
ahead 15 cents to HK\$36.30. Hotel
Kong Hotels 90 to HK\$16.50. J.
Sine Securities 40 to HK\$8.50.
Property Share New World 30
to HK\$12.50 and China Exchange
10 to HK\$3.20.

Turnover totalled HK\$218.18
(HK\$238.24m).

Germany

After an uncertain start, prices
rose in lively trading in the
German stock markets, but there
were no special factors
evidence.

Bankings were most in demand
led higher by Deutsche, up Df
at DM304 xd.

Engineering also improved
up DfM, led by Demag, up Df
at DM158.

Liunde was down DM130 to DM245.5, however.

Autos were mixed with movements of DM130 both ways. Public authority bonds were slightly weaker, where champagne with losses of up to 25 percent.

The Bundesbank bought 100 million DM1.2m, against DM130 on Friday.

Tokyo

Prices closed lower in limited trading on lack of fresh factors after late liquidation had pushed earlier gains.

The Nikkei-Dow Jones Average fell 14.19 to 5,477.32, with volume totalled 160m shares (300m).

Commodity-orientated Electromechanics and Vehicles fell on currency uncertainties. TOK Electronics lost ¥20 to ¥2,010, Matsushita ¥10 to ¥688, Mitsubishi Electric ¥6 to ¥74 and Toyota NY ¥81.

Soay was unchanged at ¥1, but many "Blue Chips" popular stocks eased on sporadic liquidations.

Oil lost ¥14 to ¥250 on sharply lower Oils. The sector was depressed by reports that there might be no big trade between the continental shelf of the Persian Gulf and Korea since Hitachi rose ¥3 to ¥254 buying by foreign investors big investment trusts.

Gold also rose increasing beer sales, with Kikkawa ¥7 to ¥488 and Sanyo ¥4 to ¥287.

Australia

to which forthcoming capital gains were added. This was shown by the fact that the sentiment was little encouraged by the 4 point cut in call money to 7 3/4 percent. They hope that the rates at commercial banks will be cut to the present 9.3 per cent before the end of the month.

Most sectors were generally easier while stores were irregular. Carrefour lost Ffr 12 to Ffr 10.

Brussels

Mostly lower in quiet trade following Wall Street, with S. Electrafin, Cockerill, Cluys and Solvay advancing, but S. Cobeqa, Vieille Montagne, Hoboken, S. de Comera, Tabacaria declining.

Petrofin dropped Bfrs 8 to Bfrs 3,640 in lower Oils.

Amsterdam

Mostly weaker in continuation of trading. KLM finished 10 lower. Following the sharp fall on Wall Street.

Azko rose 60 cents to Fl 1 and Royal Dutch 50 cents to Fl 10.10 in otherwise lower international markets.

Van Ommeren, Amro, Nationale Nederlanden and Ennia were weaker. Gaining issues were led by Heineken, up 40 cents to Fl 10.10. Fokkedo declined.

State loans were steady.

Turnover on the Euro Options Exchange rose to 910 contracts from 601 on Friday.

Milan

	June 18	June 15	June 10		
Industrial.....	659.82	636.97	644.25		
Race Bo'as'	88.15	87.90	87.90		
Transport.....	232.24	232.54	235.49		
Utilities.....	104.87	105.16	105.51		
Trading co. OOD's	25.500	27.630	29.230		
*Baris of Interx changed from 7%					
Ind. div. yield %			June 15		
			5.50		
STANDARD AND POOR'S					
	June 18	June 15	June 10		
\$ Industrials	107.78	107.54	108.70		
\$ Composite	87.45	87.42	88.34		
Ind. div. yield %			4.50		
Lt. Div. Yield			5.00		
Long Term Bond yield			5.50		
N.Y.S.E. ALL COMMON					
	June 18	June 16	June 14	June 12	High
	54.78	54.80	55.51	55.95	56.29 (5.0)
MONTREAL					
				June 10	J

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NEW YORK

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June 18 June 19

314	314	Reynolds	49	47 1/2	Westworth	19	3
315	315	Reynolds	28	29	Wright	1	4
290	291	Reynolds & R.	55 1/2	55 1/2	Xerox	53	53 1/2
316	316	Ribon Sam	29	29	Yarn	17	17
291	291	Ribon Sam	29	29	Yarn	17	17
291	291	Ribon Sam	29	29	Yarn	17	17
291	291	Ribon Sam	29	29	Yarn	17	17
317	317	Royal & Hanna	34 1/2	34 1/2	Yarn	17	17
318	318	Royal & Hanna	34 1/2	34 1/2	Yarn	17	17
319	319	Royal & Hanna	34 1/2	34 1/2	Yarn	17	17
320	320	Royal & Hanna	34 1/2	34 1/2	Yarn	17	17
321	321	Royal & Hanna	34 1/2	34 1/2	Yarn	17	17
322	322	Royal & Hanna	34 1/2	34 1/2	Yarn	17	17
323	323	Royal & Hanna	34 1/2	34 1/2	Yarn	17	17
324	324	Royal & Hanna	34 1/2	34 1/2	Yarn	17	17
325	325	Royal & Hanna	34 1/2	34 1/2	Yarn	17	17
326	326	Royal & Hanna	34 1/2	34 1/2	Yarn	17	17
327	327	Royal & Hanna	34 1/2	34 1/2	Yarn	17	17
328	328	Royal & Hanna	34 1/2	34 1/2	Yarn	17	17
329	329	Royal & Hanna	34 1/2	34 1/2	Yarn	17	17
330	330	Royal & Hanna	34 1/2	34 1/2	Yarn	17	17
331	331	Royal & Hanna	34 1/2	34 1/2	Yarn	17	17
332	332	Royal & Hanna	34 1/2	34 1/2	Yarn	17	17
333	333	Royal & Hanna	34 1/2	34 1/2	Yarn	17	17
334	334	Royal & Hanna	34 1/2	34 1/2	Yarn	17	17
335	335	Royal & Hanna	34 1/2	34 1/2	Yarn	17	17
336	336	Royal & Hanna	34 1/2	34 1/2	Yarn	17	17
337	337	Royal & Hanna	34 1/2	34 1/2	Yarn	17	17
338	338	Royal & Hanna	34 1/2	34 1/2	Yarn	17	17
339	339	Royal & Hanna	34 1/2	34 1/2	Yarn	17	17
340	340	Royal & Hanna	34 1/2	34 1/2	Yarn	17	17
341	341	Royal & Hanna	34 1/2	34 1/2	Yarn	17	17
342	342	Royal & Hanna	34 1/2	34 1/2	Yarn	17	17
343	343	Royal & Hanna	34 1/2	34 1/2	Yarn	17	17
344	344	Royal & Hanna	34 1/2	34 1/2	Yarn	17	17
345	345	Royal & Hanna	34 1/2	34 1/2	Yarn	17	17
346	346	Royal & Hanna	34 1/2	34 1/2	Yarn	17	17
347	347	Royal & Hanna	34 1/2	34 1/2	Yarn	17	17
348	348	Royal & Hanna	34 1/2	34 1/2	Yarn	17	17
349	349	Royal & Hanna	34 1/2	34 1/2	Yarn	17	17
350	350	Royal & Hanna	34 1/2	34 1/2	Yarn	17	17
351	351	Royal & Hanna	34 1/2	34 1/2	Yarn	17	17
352	352	Royal & Hanna	34 1/2	34 1/2	Yarn	17	17
353	353	Royal & Hanna	34 1/2	34 1/2	Yarn	17	17
354	354	Royal & Hanna	34 1/2	34 1/2	Yarn	17	17
355	355	Royal & Hanna	34 1/2	34 1/2	Yarn	17	17
356	356	Royal & Hanna	34 1/2	34 1/2	Yarn	17	17
357	357	Royal & Hanna	34 1/2	34 1/2	Yarn	17	17
358	358	Royal & Hanna	34 1/2	34 1/2	Yarn	17	17
359	359	Royal & Hanna	34 1/2	34 1/2	Yarn	17	17
360	360	Royal & Hanna	34 1/2	34 1/2	Yarn	17	17
361	361	Royal & Hanna	34 1/2	34 1/2	Yarn	17	17
362	362	Royal & Hanna	34 1/2	34 1/2	Yarn	17	17
363	363	Royal & Hanna	34 1/2	34 1/2	Yarn	17	17
364	364	Royal & Hanna	34 1/2	34 1/2	Yarn	17	17
365	365	Royal & Hanna	34 1/2	34 1/2	Yarn	17	17

Trading.

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EUROPEAN OPTIONS EXCHANGE

Option	Prev	Close	Jan.	Vol.	Close	Vol.	Jan.	Vol.	Strike
ATF	\$55	6 1/2	—	63	7.00	—	—	—	60 1/2
ATF	\$60	1 1/2	—	1 1/2	12	20	—	—	—
ATF	\$65	—	—	5 1/2	—	—	—	—	—
ATF Corp	\$45	4 1/2	—	10 1/2	—	—	—	—	\$24 1/2
ATF Corp	\$55	2 1/2	—	1 1/2	25	2	26	—	—
E. Kneak	\$40	15	—	15 1/2	—	15 1/2	—	—	\$54 1/2
E. Kneak	\$45	1 1/2	—	10 1/2	—	—	—	—	—
E. Kneak	\$50	5 1/2	—	6 1/2	5	8 1/2	4	—	—
E. Kneak	\$60	5 1/2	5	2 1/2	1	3 1/2	10	—	—
E. Kneak	\$40	5 1/2	—	6.00	—	—	—	—	\$45 1/2
Exxon	\$45	1 1/2	—	20	3 1/2	20	—	—	—
Exxon	\$60	1 1/2	—	1 1/2	—	—	—	—	—
Exxon	\$60	10 1/2	—	10 1/2	1	11 1/2	—	—	\$60 1/2
GM	\$70	1 1/2	—	3 1/2	—	4 1/2	—	—	—
GM	\$70	1 1/2	—	3 1/2	—	1 1/2	—	—	—
IBM	\$280	29 1/2	—	31 1/2	4	37.00	—	—	\$267 1/2
IBM	\$285	1 1/2	—	8 1/2	7	2 1/2	—	—	—
IBM	\$285	3 1/2	11	8 1/2	—	12 1/2	4	—	—
Intelsat	\$20	4	—	4 1/2	—	5 1/2	—	—	\$23 1/2
Intelsat	\$20	1 1/2	—	1 1/2	—	2 1/2	—	—	—
Intelsat	\$20	1 1/2	—	1 1/2	—	2 1/2	—	—	—
Aluminum	\$350	30.00	—	30.50	—	31.00	—	—	\$359.50
Aluminum	\$340	10.00	2	22.00	—	24.00	—	—	—
Aluminum	\$350	10.50	—	11.50	—	14.50	—	—	—
Aluminum	\$350	4.00	—	5.00	—	6.00	1	—	—
Amco	P70	6.50	—	7.00	—	8.20	—	—	\$74.90
Amco	P75	2.50	—	3.00	—	4.20	—	—	—
Amco	P80	0.80	—	1.40	—	1.60	—	—	—
K.M.	P160	9.00	15	13.50	11	18.00	2	—	\$161
K.M.	P170	9.50	17	9.00	7	13.00	16	—	—
K.M.	P180	2.00	81	2.00	1	1 1/2	—	—	—
K.M.	P190	1.00	12	5.00	10	7.50	8	—	—
K.M.	P200	0.90	27	2.80	6	6.00	8	—	—
K.M.	P220	1.00	—	2.80	28	3.00	—	—	—
Nat. Natl	P100	8.50	—	10.50	—	11.70	—	—	\$106.70
Nat. Natl	P110	3.00	3	4.00	3	6.50	—	—	—
Nat. Natl	P120	0.50	—	1.00	—	3.00	—	—	—
Nat. Natl	P250	0.50	—	1.00	—	3.00	—	—	\$26.40
Phillips	P25.00	2.10	—	8.40	40	4.40	3	—	—
Phillips	P27.50	0.50	—	1.10	33	1.80	54	—	—
H. D. Shell	P120	0.50	—	1.10	21	—	—	—	\$129.20
H. D. Shell	P130	2.00	52	5.10	65	7.00	11	—	—
H. D. Shell	P140	0.20	—	1.70	150	3.00	—	—	—
H. D. Shell	P150	0.50	—	1.50	5	—	—	—	—
Unilever	P120	3.50	—	5.00	—	6.00	—	—	\$120.80
Unilever	P130	0.20	10	1.60	—	2.80	—	—	—

BASE LENDING RATES

BASE LENDING RATES			
A.B.N. Bank	10 1/2 %	■ Hambros Bank	10 1/2 %
Allied Irish Banks Ltd.	10 1/2 %	■ Hill Samuel	10 1/2 %
American Express Bk.	10 1/2 %	C. Hoare & Co.	10 1/2 %
Amro Bank Ltd.	10 1/2 %	Julian S. Hodge	11 1/2 %
■ Anglo Bank Ltd.	10 1/2 %	Hongkong & Shanghai	10 1/2 %
Henry Anshacher	10 1/2 %	■ Indian Bk. of Scot.	10 1/2 %
Bank of Bilbao	10 1/2 %	■ Keyser Ullmann	10 1/2 %
Bank of Credit & Commc.	10 1/2 %	■ Knowledge & Co. Ltd.	12 1/2 %
Bank of Cyprus	10 1/2 %	Lloyds Bank	10 1/2 %
Bank of N.S.W.	10 1/2 %	London Mercantile	10 1/2 %
Banque Belze Ltd.	10 1/2 %	Edward Manson & Co.	11 1/2 %
Banque du Rhone	10 1/2 %	Midland Bank	10 1/2 %
Barclays Bank	10 1/2 %	■ Morgan Montagu	10 1/2 %
Barnett Chartered Ltd.	10 1/2 %	■ Norman Grenfell	10 1/2 %
Bank Holdings Ltd.	11 1/2 %	National Westminster	10 1/2 %
Brit. Bank of Mid. East	10 1/2 %	North German General Trust	10 1/2 %
■ Brown Shipley	10 1/2 %	P. Sassoon & Co.	10 1/2 %
Canada Perm't. Trust	10 1/2 %	Rossminster Account	10 1/2 %
Capitol C & C Fin. Ltd.	10 1/2 %	Royal Bk. Canada Trust	10 1/2 %
Cayzer Ltd.	10 1/2 %	Schlesinger Limited	10 1/2 %
Cedar Holdings	10 1/2 %	E. S. Schwab	11 1/2 %
■ Charterhouse Japhet.	10 1/2 %	Security Trust Co. Ltd.	11 1/2 %
Choulatons	10 1/2 %	Shenley Trust	11 1/2 %
C. E. Coates	11 1/2 %	Standard Chartered	10 1/2 %
Chartered Credit	10 1/2 %	Trade Dev. Bank	10 1/2 %
Co-operative Bank	10 1/2 %	Trustee Savings Bank	10 1/2 %
Corinthian Securities	10 1/2 %	Twentieth Century Bk.	11 1/2 %
Credit Lyonnais	10 1/2 %	■ United Bank of Kuwait	10 1/2 %
The Cyprus Popular Bk.	10 1/2 %	Wayway Landau	10 1/2 %
Duncan Lawrie	10 1/2 %	Willam & Wiers	10 1/2 %
Ezeli Trust	10 1/2 %	Yorkshire Bank	10 1/2 %
English Transcont.	10 1/2 %	■ Members of the Acropolis Houses	
First London Secs.	10 1/2 %	Commutative.	
First Nat. Fin. Corp'n.	11 1/2 %	1-day deposits 1% 1-month deposits	
First Nat. Secs. Ltd.	10 1/2 %	2-day deposits on sums of £1000	
■ Anglo Gibbs	10 1/2 %	and under 1% up to £25,000 1/2	
Greyhound Guaranty	10 1/2 %	and over £25,000 1/2	
Guinness Bank	10 1/2 %	and over £50,000 1/2	
■ Guinness Mahon	10 1/2 %	■ Demand deposits 1/2	


Dee Pl. 20.....	157.
Van Dinteren....	142.

[illegible]

Dunlop
Fr. Petrole
San. Occidente

Yld.	Impel	65.5	-0.4	8.7	8.9	Sess. Holders	1.32
	Jacquem Borel	114.5	+0.3			SAPP	1.28
	Lafarge	158.0	-0.0	18.7	8.8	St. Louis Sugar	1.25
	LORE	107.0	-0.0	18.7	8.8	St. Breweries	1.25
3.1	Logan	184.8	-2	39.7	2.8	Ther. Drug and Natl. Mfg.	11.00
3.0	Malsone Phos.	370	-1.0	59.5	4.1	Union	1.18
3.0	Malsone Phos.	370	-1.0	59.5	4.1		
3.7	Milner	161	-4	7.0	2.0	Securities Bond #17-24 (Discount of 27.94)	
3.6	Molasses	161	-4	7.0	2.0		
3.7	Parish	181.8	-8	16.0	2.3		
2.7	Pechiney	90.7	-0.2	7.2	2.0		
2.7	Permet-Bourd	282	-4	7.5	2.3		
2.7	Poussier-Albert	360.8	-0.6	12.8	4.7		
2.7	Rea	214	-1				
2.5	Radio Technique	456	-1	27	5.3		
2.7	Rea	214	-1				
2.7	Rea	214	-1				
2.5	Rea	214	-1				
2.5	Rea	214	-1				
5.4	Rea	214	-1				
5.4	Rea	214	-1				
5.4	Rea	214	-1				
4.0	Rea	214	-1				
4.0	Rea	214	-1				
2.8	Rea	214	-1				
2.8	Rea	214	-1				
2.1	Rea	214	-1				
2.1	Rea	214	-1				

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We believe that
 in the business.
 our research ser-
 vices are the best
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 We are sure that
 and recommend
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 Name _____
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FINANCE, LAND—Continued

Electric.	16	Plessey	8	Huttenberg	18
Gleno	40	R.H.M.	5	Sherrill	20
U.S. A.	10	Bank of	1	Ullmar	20
Grand Mar.	10	Reed (Int.)	12		
St. Louis	10	Spillers	3	Mines	
S.K.N.	22	Tegen	3	Charter Cons.	12
Dawker Sida	20	Thorn	22	Cons. Gold	14
House of Fraser	12	Trust Houses	15	Rio T. Zinc	25

A selection of Options traded is given in the London Stock Exchange Report page.

